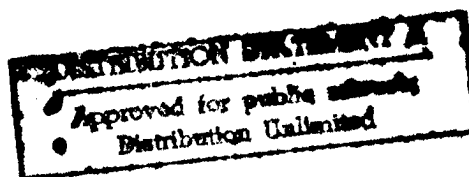


JPRS-CAR-89-106  
25 OCTOBER 1989



**FOREIGN  
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# ***JPRS Report***



# **China**

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# China

JPRS-CAR-89-106

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25 OCTOBER 1989

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## GENERAL

### Returned Professionals Accuse West of Hypocrisy, Decadence

90ON0083 Beijing RENMIN RIBAO in Chinese  
26 Aug 89 p 7

[Interview with Dong Xiuru 5516 4423 5423, Jia Fenglan 6328 7685 5695, Xu Shaoting 5171 1421 3060, Hu Mingdao 5170 2494 6670, and Cui Jijun 1508 0679 0689, returned medical professionals, by RENMIN RIBAO reporters Zhang Yuzhong 1728 3768 1813, Cui Changsheng 1508 7022 3932, and Cheng Jungao 4453 0193 1529, date and place of interview not given: "Foreign Moon Is Not Rounder Than That of China"]

[Text] There is a strange notion in society these days: Anything foreign is good and capitalism is superior to socialism in every way. Is it really so?

In late July we sought advice about this matter, which has attracted much public concern, from a number of experts and professors at Beijing Military Region General Hospital who had gone abroad to further their studies, conduct scientific research, visit friends and relatives, or as members of a technical exchange program. They said that while overseas they saw the hypocrisy and decadence of the capitalist West as well as its advanced industrial civilization. A host of facts they have seen and heard has convinced them that the moon overseas is not rounder than that in China.

### In America, Which Sings the Praise of Freedom and Equality, Inequality Is Everywhere

Dong Xiuru (A former deputy chief of the anesthetics department, who went to the United States in 1987. Her brother works in the government of the state of Maryland. Her recent research project, *The Influence of Anesthetics on Certain Substances in Red Cell Membranes*, fills a gap in domestic medical science.): Despite their considerable number, the overwhelming majority of blacks in the U.S. are discriminated against. Not only are they treated unequally personally and politically, but their work status and incomes are also lower. This phenomenon is very obvious at Georgetown University, where I studied. Of the 30-odd doctors in my department, none was a black and there was only one black nurse. In contrast, all the cleaners were black. A doctor earns between \$130,000 and \$150,000; a nurse, between \$50,000 and \$60,000, but a cleaner makes only a little over \$10,000.

Jia Fenglan (Associate professor. He did postdoctoral research at the Molecular Medical Institute in Texas in 1984 and won the Individual Third Prize awarded by the Sun Medical Research Fund of the Ministry of Public Health in 1988 and the Military Science and Technology Progress Second Prize in 1989.): In the United States, whoever commits a crime will be released provided he has money to bail himself out. But bail is usually set at shockingly high levels. Say a capitalist and an ordinary worker have both committed the same crime. The

former can come up with hundreds of thousands, even a million dollars, as bail, but an ordinary worker cannot afford this kind of money and has no choice but to be locked up in jail. In other words, in a capitalist country it is not easy to put a well-heeled capitalist behind bars. American news media claim that "everybody enjoys equal treatment once he steps on American soil." That simply does not exist.

### American Rulers, Self-Appointed "Guardian Angels" of Human Rights, Are in the Dirty Business of Violating Human Rights Everywhere

Jia Fenglan: In the United States, the personal rights and interests of foreign scientific researchers often have no protection. Under American law, when a foreign researcher wants to enter his research results in an international exhibition or contest, he can present them only as those of his research unit and is not allowed to declare his nationality. If you do not go along, your achievements will not be recognized. This way they openly deprive foreign researchers of name and honor, in gross violation of the latter's rights and interests. My supervisor, Professor Huang Zhenxiang [7806 2823 4382], did molecular biology research in the United States in the 1950's. His work was regarded by the world medical community as the second milestone in biology and he was nominated for the Nobel Prize for Medicine. But, since he insisted on returning home to serve the New China, the United States canceled his nomination, thereby robbing him of the highest honor in medical research.

### They May Be Materially Rich, But Their Spiritual Emptiness and Moral Bankruptcy Are Shocking

Xu Shaoting [5171 1421 3060] (One of four Chinese members of the International Palsy Association, he is director of the Armywide Traumatic Orthopaedic Research Center. One of his pieces of research was awarded the National Progress Second Prize, while four others won the Military Science and Technology Progress Second Prize. He has visited the United States, Australia, and Hong Kong many times for study purposes): During my stay in the United States as a member of a technical exchange program, I visited the U.S. Navy General Hospital and Air Force General Hospital. While in Australia, I toured a NATO base hospital. All three hospitals offered treatment for alcoholism, drug abuse, and sexually transmitted diseases. At the time, I was very puzzled. When I visited the Navy General Hospital a second time, I asked a friend who was with me why a military hospital offered such treatment and had such patients. He saw the amazement on my face and explained, "This is very common in the United States, as well as on its military bases overseas. At home and abroad, there are clubs for U.S. servicemen near the military bases. Officers and soldiers alike may spend the night with a hostess during weekends and on holidays. As a result, the incidence of venereal disease in the military is 10 percent. As for alcoholism and drug addiction, even many of our children's hospitals include such specialties. And soldiers are all young men."

Hu Mingdao (Physician in charge. A graduate of Showa Medical College in Japan in the 1940's, he has visited friends and relatives in Japan several times in recent years, where he also engaged in academic exchanges. His "pleura forming technique" was awarded the Military Science and Technology Progress Second Prize.): In Japan, a highly developed nation, there are temples and shrines everywhere. Every family has its altar. Even Ginza, the most famous modern thoroughfare in the world, is full of temples, large and small, where people pray, burn incense, and have their fortunes told endlessly. People in different professions each have their own gods. Students worship Tianmanshen, farmers worship the god of rice, and lovers worship Arishen. I asked a Chinese who had settled in Japan why in a highly developed society like Japan people must seek help from deities in everything they did. He said, "In this society where people fight to the bitter end for money, a person may be a millionaire today, a pauper tomorrow. On the surface everything is rosy, but in reality many people lead a tough, painful life. In Japan, all relationships, including those between father and son and between friends and relatives, are determined by money. Besides, robberies, rapes, and murders happen everyday. People have no alternative but to beseech their gods and deities to protect them."

Cui Jijun (Physician in charge. He has visited the Federal Republic of Germany and Austria as member of a NPC delegation.): While in the FRG, we stayed at a hotel in Hamburg. Not far from this five-star international hotel was a "red light district," where you can find open brothels, sauna bathhouses offering massage services to men and women, striptease joints, bars, and other places selling sex. The official in charge of receiving us explained frankly, "The 'red light district' is tacitly approved by the government. Countless cities and tourist resorts have similar districts. All sexual activities in the district are free of legal restraints. Provided he has the desire and the money, anyone can go there." I asked him, "Where did the young women in the district come from? Isn't this a form of degradation of women?" He laughed, "Southeast Asia, Africa, and other underdeveloped and backward places in the world, of course." With a helpless sigh, he said, "Poverty makes them willing to do anything for money." This is an extremely cruel reality in the capitalist "heaven," which sings the praise of "human rights."

### Analysis of Evolving U.S.-Soviet Relations

HK1310150589 Hong Kong LIAOWANG [OUTLOOK]  
OVERSEAS EDITION in Chinese No 41, 9 Oct 89

[Article by Huai Chengbo 2037 2052 3134: "U.S.-Soviet Relations as Seen From Their Foreign Ministerial Talks"]

[Text] After the conclusion of their 2-day talks in Jackson, Wyoming, on 23 September, U.S. Secretary of State Baker and Soviet Minister of Foreign Affairs Shevardnadze announced that President Bush and Chairman Gorbachev would hold their first summit talks in the United States in late spring or early summer of 1990.

Their recent talks, which were described by the press as "U.S.-Soviet subsummit talks," started with Shevardnadze's meeting with President Bush in Washington on 21 September. The five U.S.-Soviet special work groups on arms control, human rights, bilateral relations, regional conflicts, and transnational issues started their work as early as 18 September so as to prepare for the foreign ministerial talks. Shevardnadze delivered Gorbachev's letter to Bush. In the letter Gorbachev made proposals on problems concerning arms control talks between the two superpowers.

Another achievement of the talks between Baker and Shevardnadze is that both sides have adjusted their positions and made concessions with regard to the talks on strategic arms reduction.

The Soviet Union has given up its original stand that the signing and implementation of the treaty on reducing strategic nuclear arms should proceed with the suspension of the U.S. Star Wars plan. It has agreed that the sea-based cruise missiles issue will not be listed in the formal document on strategic arms reduction but should be entered in its annex. It has agreed to dismantle its huge radar station in the far eastern region of Krasnoyarsk, a radar station which has been accused by the United States of violating the 1972 treaty on antimissile missiles.

On the U.S. side, Baker announced prior to the talks that the United States no longer insisted on banning land-based missiles. The Soviet Union has deployed such missiles whereas the United States is waiting for the Congress' approval.

In addition, both sides have signed a number of agreements and documents, including the "General Agreement on Verification and Stability in the Treaty on Strategic Arms Reduction," "Agreement on the Bering Strait," "Memorandum of U.S.-Soviet Understanding on Chemical Weapons," "Joint Declaration on Lebanon," "Environment," "U.S. Proposal on Inviting the Soviets To Visit the Strategic Defense Initiative Facilities," "Main Points for a Common Stand on the Verification of Mobile International Ballistic Missiles," "Opening Up the Land: Amendment of Travel Restrictions," "Opening Up the Air Space," "Proposal on the International Court," "Right of Innocent Passage in Maritime Law," "Notice on Strategic Maneuvers," and "Human Rights."

The recent talks between Baker and Shevardnadze took place in a situation characterized by East-West detente and the development of U.S.-Soviet relations. The success of the talks will promote East-West detente and the further development of U.S.-Soviet relations. Both the United States and the Soviet Union appraised the talks as having highly positive results. In Baker's opinion, "U.S.-Soviet relations are entering a new period" and "have now shifted from confrontation to dialogue and from dialogue to cooperation." Whereas Shevardnadze said without exaggeration that his talks with President Bush and Secretary of State Baker "will push Soviet-U.S. relations into a new period." THE NEW

YORK TIMES commented that the agreement reached by the U.S.-Soviet foreign ministerial talks "will possibly bring about a new trend in U.S.-Soviet relations."

According to reports, the Bush administration will aim to sign the Treaty on Strategic Arms Reduction at next year's U.S.-Soviet summit talks. For this reason, foreign ministers of the two countries will meet again on two occasions: first, Baker's visit to the Soviet Union in next November or January; and second, Shevardnadze's subsequent visit to the United States. Gorbachev's letter to Bush suggests that the Warsaw Pact and NATO hold a number of negotiations between high-ranking officials to facilitate talks on European conventional forces. The letter also hopes that a European summit meeting can be convened before the end of this year, with an agreement signed. During an interview with a reporter from the U.S. National Broadcasting Company, Baker said that Bush would discuss this proposal with NATO foreign ministers during a UN General Assembly session.

During a meeting with Bush, Shevardnadze briefed him on Soviet economic reform. During their flight together from Washington to Wyoming, Shevardnadze and Baker discussed Soviet-U.S. economic cooperation for 3 hours. Shevardnadze said that the Soviet Union did not expect aid or loans from the United States, nor did he bring along a "purchase order." He only wished to find out about U.S. experience in economic and technological management so that the Soviet Union could use it for reference in reform. On the issue of most-favored-nation treatment, a high-ranking official from the Soviet Ministry of Foreign Affairs revealed that the relevant Soviet department was drafting a decree on Jewish exits from the country and would submit it to the Supreme Soviet for examination and approval. At a press conference, Baker remarked that with Soviet legislation on Jewish emigration, the obstacle to the Jackson-Vanik amendment bill would automatically vanish and the issue of most-favored-nation treatment would be solved.

However, the success of the recent foreign ministerial talks and the good prospects for the future summit meeting have not qualitatively changed the situation in which the two superpowers take each other as an opponent. Reports said that both sides still engaged in fierce debate over regional conflicts, including the Afghan and Nicaraguan issues. Their future arms control talks are expected to be full of bargaining. Baker asserted that militarily the Soviet Union still constitutes a "threat" to the United States. Some people in the United States want the government to unilaterally cut its strategic weapons. In his opinion, this is a "naive" idea and "bad policy."

It is particularly noteworthy that some people in the U.S. Government think that Gorbachev is encountering big economic difficulties in the Soviet Union, and ethnic problems have cropped up everywhere. So he has to seek help from the United States. The United States should take this opportunity to exert pressure so as to gain the best strategic and political advantages. In a speech to the

the UN General Assembly session on 25 September, Bush assumed a pressing posture and asserted that "he has seen the failure of an ideology (in the Soviet Union)." In his opinion, the Soviet concession during the recent foreign ministerial talks indicates a "new attitude between the United States and the Soviet Union." Prior to the foreign ministerial talks, some 20 U.S. senators proposed that the Soviet Union agree to the "independence" of the three federated republics by the Baltic Sea, otherwise the development of U.S.-Soviet relations would be affected. Undoubtedly these remarks will make U.S.-Soviet relations more complicated.

## SOVIET UNION

### Gorbachev's Concept of 'Common European Home'

HK0510055189 Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 18, 16 Sep 89 p 15

[Article by Tian Zhili 3944 1807 4539 "The Concept of a 'Pan-European Home'"]

[Text] International observers now generally believe that the United States and the Soviet Union are "substituting diplomatic competition for military confrontation." Therefore, U.S. and Soviet strategic concepts concerning their policies toward Europe have aroused general concern in the media. U.S. President Bush recently talked about building a "complete and free Europe" so that East European countries "will move toward a practical and effective system—freedom, democracy, and a market economy." His actual intention is to induce a "peaceful evolution" in East European countries. What is Soviet leader Gorbachev's idea of building a "European home" (otherwise called a "common European home")? What does this idea contain? The writer sums up what has been published in the foreign press as follows:

In 1987 Gorbachev proposed the idea of building a "pan-European home" in an article entitled "Reform and New Ideas." He said: "The idea of 'Europe being our common home' took shape after my long consideration, particularly after I met many European activists."

Geographically, historically, culturally, and politically the area from the Atlantic to the Ural Mountains is the basic range covered by the concept of a "pan-European home." The concept of Europe as an entity is different from the concept of two Europes (Eastern and Western Europe) and the concept of Western Europe referring to the whole of Europe. Gorbachev's concept of a "pan-European home" has attracted the attention of the European people.

Gorbachev has assimilated some of De Gaulle's ideas. De Gaulle said: "This is Europe from the Atlantic to the Ural Mountains. It is on this Europe, on this old soil where modern civilization was born and has become prosperous. It is this Europe that will determine the

destiny of the world. If the European peoples, including those behind the Iron Curtain, can one day develop friendly coordination among themselves, world peace will be guaranteed. But, conversely, if they remain split into two opposing blocs, a war destroying humanity will break out sooner or later. Europe's responsibility in the world has become heavier than ever before" ("Reminiscences of Hope"). Gorbachev gradually formed the concept of a "pan-European home" by combining these ideas with the state and national interests of the Soviet Union. In his opinion, the following factors have necessitated the establishment of a "pan-European home": First, two big military blocs, the Warsaw Pact and NATO, both armed with the most modern and constantly improving technology and equipment, are still confronting each other in this densely populated and highly urbanized Europe. Second, there are several hundred nuclear power plants and big chemical factories in this highly industrialized Europe. Even a conventional war could be destructive, let alone a nuclear war. Third, the ecological crisis in Europe is approaching a critical point and has gone far beyond national boundaries and has developed throughout Europe. Fourth, the two organizations in Europe (West Europe's EEC and East Europe's CEMA) are stepping up their efforts toward unification. These two parts of Europe need mutually beneficial cooperation for their economic development and scientific and technological progress. Fifth, Western and Eastern Europe have common interests in handling their relations and solving North-South relations (the relations between developed and developing countries). Because of these common interests, there is a need to build a "pan-European home."

In Gorbachev's opinion, there are many favorable conditions and prerequisites for building a "pan-European home." 1) The people in all European countries have learned a most bitter lesson from two world wars, and antiwar movements are active throughout Europe. 2) In its political tradition, Europe has had rich experience in handling international affairs. 3) Apart from Europe, no other region of the world has set up an overall system concerning bilateral and multilateral negotiations, discussions, contacts, and agreements. 4) Europe has a solid scientific and technological force. 5) A Europe "from the Atlantic to the Urals" is a historical and cultural entity comprising European civilization in the Renaissance era, the Enlightenment, the 19th century, and the 20th century. This is a powerful magnet that attracts European politicians to a common effort for mutual understanding and cooperation. In short, Gorbachev firmly believes that there

is an excellent foundation in Europe for building a "pan-European home" that bridges ideologies and social systems.

According to an analysis by Western observers, Gorbachev's concept of a "pan-European home" involves, first, the unification of the two Germanys. During a visit to West Germany in June, Gorbachev hinted that the Berlin Wall, the "last symbol of the cold war" between the two Germanys, would one day be pulled down (GDR Chairman Honecker stressed in January this year that the Berlin Wall would remain for "50 or even 100 years"). Gorbachev's proposal was warmly welcomed by West Germans, who urge the implementation of "Genscherism," which is similar to the new Ostpolitik. Second, it involves the disarmament issue, an issue to be solved without delay for the establishment of a "pan-European home." This issue includes reducing and finally eliminating tactical nuclear weapons along with fundamentally cutting troops and conventional weapons, with the aim of preventing offensive weapons from being used for direct engagement, removing the possibility of surprise attacks, changing the entire structure of the armed forces into one of a defensive nature, and supporting proposals on building a nuclear-free zone, a zone without chemical weapons, and a nuclear-free corridor in central Europe. Third, it involves pan-European cooperation, which will serve as a material foundation for the "pan-European home." This cooperation includes scientific and technological cooperation (such as cooperation in exploiting thermonuclear energy, in exploring the universe and the planets of the solar system, and in research into superconductors and bioengineering); cooperation in humanities (such as the international meeting in Moscow on humanities cooperation); and cooperation on human rights issues. Fourth, it involves the emergence of new ideas in Europe. Bridging ideological differences, these new ideas have brought about extensive dialogue among communist parties, socialist parties, and social democratic parties throughout Europe on defense policies and security measures in international affairs. Fifth, it involves the correct handling of European-U.S. relations. Western Europe will not allow its independent policy to be "looted and delivered to the other side of the ocean," nor will it allow its "national interests to be sold" under the pretext of defending security. Europeans do not want to see the Americans "kick open the door of the pan-European home and then sit in the master's seat." Sixth, it involves European responsibility, which determines that the success of Europe will have an important bearing on the progress of other regions in the world.

### Yan Jiaqi's 'Press Freedom'

HK0410150589 Beijing JINGJI CANKAO in Chinese  
17 Sep 89 p 1

[Article by Hu Zhishen 5170 1807 3947: "A Talk Beginning With the 'Press Freedom' Trumpeted by Yan Jiaqi and Associates"]

[Text] One of the slogans trumpeted by Yan Jiaqi and his associates in the current political unrest which spread from Beijing to all parts of the country was "strive for and safeguard press freedom." With their glibness, they made a wild boast about and hailed the press freedom of Western countries on the one hand and attacked the press system and press policy of socialist states, clamoring "lift bans on the press and give us freedom" on the other. Under the pretexts of "boldly speak the truth" and "press freedom," they attacked the party and the government using the opinion front, thus aggravating the antiparty, antisocialist political unrest.

What press freedom did they actually "strive for" and "safeguard?" We can get a rough idea of it from the storm of Shanghai's SHIJIE JINGJI DAOBAO.

DAOBAO is a newspaper which is in the good graces of Yan Jiaqi and his associates. In the last 2 years, to echo the international major climate and China's own internal climate, the newspaper, an economic herald, has shown unusual interest in political issues and had a considerable smell of gunpowder. Yan Jiaqi, Su Shaozhi, and Zao Siyuan, who turned out to be the newspaper's "chief commanders," published articles glorifying the bourgeois political and economic systems and "pouring filthy water" on the party and the socialist system one after another, thus becoming eulogists of bourgeois liberalization. Although its editor in chief, Qin Benli, billed his principle of running the newspaper as playing on the "edge," in reality, he played "out of bounds" and thus ran counter to the four cardinal principles which are basic to the foundation of the state. At the beginning of the current turmoil, thinking that the opportunity had matured, they used DAOBAO as the opinion front in creating and instigating disturbances and worked in collusion with forces in the south and the north as well as at home and abroad in making the stormy seas stormier, thus creating an uproar for a period of time. Capitalizing on the feelings of the vast number of university students and ordinary people mourning Hu Yaobang, they held forums and fabricated news. Several prominent trumpeters of bourgeois liberalization deliberately incited people and said that Yaobang was treated unfairly and his resignation was a great "tragedy" in the history of the party. Under the pretext of making "a fair reappraisal," they openly demanded reversal of the verdicts on the campaigns to "eliminate spiritual pollution" and "oppose bourgeois liberalization." How vicious their intentions were when they concocted such a news report in a time when the situation changed and disturbances took place suddenly! The "press freedom" they wanted to "strive for" and "safeguard" had its own special meanings. What they wanted was the freedom to oppose the four cardinal principles, the "freedom" to

preach bourgeois liberalization, the "freedom" to create and plot political upheavals, the "freedom" to oppose the major policy decisions of the central authorities, and the "freedom" to spread rumors and to wantonly abuse party and state leaders. With this "press freedom" there would be no freedom for the vast number of journalists to safeguard the four cardinal principles, no freedom for them to safeguard the state's stability and unity, and no freedom for them to propagate the party's line, principles, and policies. With this "press freedom," there would be no tranquility for the state and the people would suffer. This argument has been proved by the facts of the turmoil developing into a rebellion in the last 2 months or so.

As a component part of the freedom of speech, press freedom is always concrete and on no account abstract. In class society, any freedom is unavoidably stamped with the brand of a class and there is no such thing as a freedom transcending classes. Press freedom is a democratic right of the press media and journalists. On the one hand, this right goes along with social obligations and demands that journalists do their own jobs with a great sense of responsibility to society, and, on the other hand, it is hamstrung by such things as laws, discipline, and ethics.

In socialist China, press freedom must not exceed the limits permitted by the state Constitution and violate the four cardinal principles stipulated in the Constitution's general principles, political discipline, and propaganda discipline, and must not engage in slandering, rumormongering, and framing. A party journalist must willingly keep in line politically with the central authorities and shall not make statements antagonistic to the line, principles, and policies of the central authorities by using the press tool. With regard to issues relating to the party's line, principles, and policies as well as major political and theoretical issues, he must unify his action on the basis of the resolutions of the central authorities, keep in step with the party and the government, and refrain from going his own way in making any open statements.

SHIJIE JINGJI DAOBAO deliberately carried news reports in a different tune with the policy decisions of the central authorities, thus seriously violating propaganda discipline. The handling of DAOBAO by the Shanghai Municipal CPC Committee was entirely correct and necessary. The intervention by the municipal party committee threw plotters of turmoil into confusion and deprived them of the "freedom" to create greater disturbances. This being the case, utterly discomfited, they initiated signature-gathering and support activities. Yan Jiaqi drafted a so-called open letter of "safeguarding press freedom" attacking the Shanghai party committee for "smothering press freedom." Under their instigation, some people took to the streets, flaunting the banner of "give us DAOBAO, give us press freedom, and give us Qin Benli," thus causing sinister waves to surge in society. This ugly performance further revealed what kind of press freedom that they were "striving for."

Yan Jiaqi and associates glorified the press freedom of Western countries and preached the press media of



capitalist countries as "the fourth power," independent of legislation, judicature, and administration. It seemed that there was extremely great "freedom" in those countries. This indeed hoodwinked some young people who had seen little of the world. Are these really the facts?

The press media in Western countries are economically attached to financial or banking groups of monopoly capital and are politically at the command of men of wealth. In the United States, most press media are controlled by 50 highly influential big companies. Not only do they control the economic lifeline of news organizations, but they also directly intervene in the coverage and editorial principles of the press media. Lenin pointed out sharply: "In the past, the capitalists always saw freedom as the freedom of the rich to make a fortune and the freedom of the workers to die from hunger. Now the capitalists call freedom of publication the freedom of the rich to buy out newspapers and periodicals and the freedom to shape social opinions with money." The banners of "press freedom" and of "freedom of publications" flaunted by Western countries are in essence just like what was said by Lenin.

To make the press the obedient "watchdog" of the capitalists, monopoly capital groups do not hesitate to use the state apparatus to persecute reporters who dare to speak the truth and who have a sense of justice, while buying or luring them by promise of gain. For example, under the white terror in which "MacArthurism" was wreaking havoc, many journalists who were friendly with China, such as Snow and Smeldley, were persecuted and some were branded as "Soviet spies."

A NEW YORK DAILY reporter called John su ying dun [5685 5391 7319] wrote, without mincing words, "New York journalists must deliberately misinterpret the truth, openly tell lies, distort the facts, abuse people, and serve money with the highest degree of obeisance. We are tools and vassals of the rich men who carry out activities behind the scenes. We are puppets. We dance as the rich men pull the strings. Our talents, abilities, possibilities, and our lives—all of these—are other people's property. We are the prostitutes of intelligence."

Gentlemen who worship the "press freedom" of Western countries please read this American reporter's brilliant statements! Tying freedom to the boss's money bag and the policeman's baton is the essence of the press freedom of capitalist countries!

### Review of National Path Toward Socialism

HK0310130489 Beijing RENMIN RIBAO in Chinese  
3 Oct 89 p 2

[Article by Hu Qiaomu 5170 0829 2606, originally carried in QIUSHI [SEEKING TRUTH] No 19, 1989, and dispatched by XINHUA: "How China Chose Socialism in the Fifties"]

[Text] The most important event in China's economy in the 1950's was the selection of socialism. Now, as more

than 30 years have passed, people still are interested in this question. How and why did China choose socialism? I would like to make some objective explanation of this issue.

The CPC always has the realization of socialism as its political program. The party holds that socialism is the only feasible way to safeguard the country's independence and unification, to develop the national economy, to build a prosperous and wealthy country, and to ensure that the working people will never again suffer exploitation and poverty. However, the party did not plan to establish the socialist system immediately after it seized state power. Instead, the party decided to make that selection in 1952-53 according to Mao Zedong's proposal, and this was included in the Constitution adopted by the First National People's Congress in 1954. At that time, China's economy had just recovered from the destruction of war, and state authorities were drafting the First 5-Year Plan, which was later overfulfilled. According to this plan, the total industrial output value would increase annually by 14.7 percent, the total agricultural output value would increase annually by 4.3 percent, and the average wage of workers would increase by about a third. About 10,000 construction projects would be started in this period, including 694 large and medium-sized industrial projects, 156 of which would be carried out with Soviet assistance and would be taken as key projects.

In 1949, as the war of liberation ended and the People's Republic was founded, China's economy was riddled with serious wounds. Compared with the year when China's economy had developed to the highest level in the past, total industrial output value decreased by about 50 percent, grain output decreased by 25 percent, and cotton output decreased by 48 percent. From June 1937 to May 1949, the currency issued by the Kuomintang [KMT] government swelled several hundred billion times, so prices also rose several hundred billion times. The first task for the people's government was to stabilize prices and state finances. At that time, Chinese capitalists used to say that the communists were good at military affairs, but poor at handling economic affairs, or that the communists could score 100 percent in the military field and 80 percent in the political field, but their economic mark was just zero. It was understandable that these people did not trust the ability of the communists because they had no experience in economic management. They doubted whether the communist party's experience and expertise in managing the liberated areas was adequate to deal with the nationwide catastrophe.

However, miracles were created in China. Eight months after the founding of the People's Republic, that is, beginning in May 1950, prices in China began to stabilize. In 1950, state revenues and expenditures were basically balanced; and slight surpluses were achieved in 1951 and 1952. Gross value of industrial output in 1952 increased by 145 percent over that in 1949 and by 22.3 percent over the all-time high before the war; the gross value of agricultural output increased by 53.4 percent and 18.5 percent. The output of grain, cotton, electric power, coal, steel,

machine tools, yarn, cloth, paper, and other major products also increased markedly or sharply.

How could such miracles happen? The process of economic development in this period also showed the basic reasons why China selected socialism.

There were four basic factors that made possible the rapid recovery of China's economy.

**The first basic factor was the unified economic and financial management conducted by the central government in the whole country.**

This included unified control of financial revenue and expenditures, unified management of currency, and a unified state commerce operation, with key materials being transferred by the state. Such unification was necessary because all strength could be concentrated to overcome the serious difficulties of that time. In a large and poor country with limited resources and a big population such as China, it was necessary to properly manage and use existing material resources in order to maintain the country's stability and unity. Only thus could the state meet the needs of various localities, cope with various eventualities, restore and develop the economy in a planned and orderly way, and guarantee and gradually improve the people's livelihood. Such a high degree of unification in economic and financial management was unprecedented in China's history. These measures were not decided beforehand or adopted according to any foreign country's practice or advice. They were, in fact, the only feasible option under the existing conditions. Of course, this can be regarded as the option of the communist party, because no other force in China was able to take this option even if they wished to do so.

In May 1949, in order to support Renminbi as the sole legal tender, the people's government took resolute legal and administrative steps to ban the circulation of gold, silver, and U.S. currency. This was the first major step to frustrate speculators. However, in order to stabilize prices, the government still had to rely mainly on economic means. At that time, the main economic weapons in the hands of the people's government were grain, cotton, and yarn, as well as trains and ships for transporting the goods, and coal that determined whether factories could be put into operation. When Shanghai, the largest city in China, was liberated in late May 1949, the government had merely 20 million jin of grain. In July 1950, through the organized transport by trains and ships through the whole country, the central government increased the quantity of grain under its control to 1.7 billion jin, equal to Shanghai's grain output for 1 and 1/2 years. The government arranged three encirclement lines around Shanghai, in the neighboring provinces, and in the provinces farther away from Shanghai, and defeated the speculative businessmen's attempt to bid up grain prices by means of hoarding between July and October 1950. In February and March 1950, similar struggles over cotton yarn and cloth were also carried out in a more complicated way, and the speculative businessmen

suffered total losses. In October, to meet the needs in the war for assisting Korea, the government not only brought more yarn under its control, but also unified the purchase of yarn and adopted a series of policies for tightening money supply and stabilizing the financial condition. Thus, by the end of 1950, the wholesale price index in various large cities declined by 14.6 percent from the March 1950 level. This was called another "Huaihai Campaign" in the economic field.

The high degree of unification in economic and financial management, plus the rapid development of the state-run economy, later naturally developed into a planned economy. It should be pointed out here that the planned economic structure built on the basis of this high degree of unification (which also reflected the urgent needs caused by the serious shortage of materials) was substantially changed several times in later years, with the economic and financial management power of the localities being expanded. Major objectives of the reforms in the 1980's was to reduce greatly the scope of direct state economic control through the issuance of mandatory plans, to expand the powers of state enterprises, and to abolish or reduce control over the circulation of major materials. However, that the state so rapidly stabilized prices and the financial and monetary conditions in 1950 and so successfully maintained steady growth in the national economy until 1957 could only be attributed to the high degree of unification of the financial and economic work in those years. Later experience also showed that a certain degree of unification and planning and the possession of corresponding materials and regulatory capacity are always necessary for ensuring the stable development of the national economy. In the early 1960's, when our country encountered serious economic difficulties, the state once again resorted to the highly unified management structure. This was a key factor in China's selection of socialism.

**The second basic factor that determined China's selection of socialism was the growth of the state-run economy.**

The state economy in China came directly from the confiscation of the KMT bureaucrat capital. On the eve of liberation, KMT bureaucrat capital accounted for 80 percent of the whole country's fixed assets in the manufacturing, mining, and transport industries. After taking over the industrial enterprises owned by the KMT bureaucrat capital, the output value of the state enterprises in 1949 accounted for 34.7 percent of the national total, increasing to 56 percent in 1952. Wholesale commerce run by the state accounted for 23 percent of the national wholesale turnover in 1949, and this proportion increased to 60 percent in 1952. Banks were basically all run by the state.

From the very beginning, the state economy in New China was regarded as a socialist economy. It could not be compared to the state economy in the 1930's and 1940's run by the KMT government nor to the official-run economy in the earlier historical period. As for the means used by the government to stabilize the economy

in 1950, grain and cotton came from peasants who supported the communist party, and yarn, cloth, trains, ships, and coal all came from state enterprises. The cadres assigned to various large enterprises were mostly young people who had rich experience in organizing mass movements and commanding the revolutionary war and had a dedicated spirit. They were able to integrate themselves with the working masses and to mobilize the masses to overcome various difficulties in the reconstruction of the ruins left by the war. They succeeded in rebuilding, expanding, and developing factories and mines. The state enterprises faithfully followed and observed various systems, regulations, and plans laid down by the government. They not only rapidly raised the output of various major industrial products to the highest levels achieved in the prewar period, but also developed a great many new products, technologies, industries, and production bases. The lives of workers in state enterprises were stable and happy. They enjoyed various rights, guarantees, and welfare benefits, and were respected as "old brothers" in society. Among them emerged a large number of model workers and first-rate technical innovators.

The unification of financial and economic work in China was also supported by the state economy, and in turn continuously added new blood to the state economy. The main tasks of the First 5-Year Plan was shouldered by the state economy, and this of course required the great expansion of the state economy. This was the second basic factor for China's selection of socialism.

**The third basic factor is the weakness of capitalist economy and the difficulty to develop it.**

After the bureaucratic capital was confiscated by the people's government, China's capitalist economy was already very weak. In order to survive after the conclusion of a long period of war, there was no way other than to rely on the support of the government and the state sector of the economy. The government also adopted effective measures to help the factories and shops to open businesses, in order to revive the economy and to prevent unemployment. But between the two there were many conflicts that could not be easily solved.

This kind of acute conflict was reflected by the serious struggle against inflation carried out by the people's government. After prices were stabilized, the capitalist industrial and commercial enterprises faced new and serious difficulties. Consumers did not engage in panic buying of consumer goods as they did during the period of inflation, and a large number of factories and shops could not adapt to the change in the structure of the people's consumption and the demands of the state's orders for goods. They particularly lacked raw materials and circulating capital. Under these conditions, they could only accept a series of state policies on readjustment and reorganization. Most industrial enterprises undertook processing businesses and accepted the state's plan to monopolize sales, contracts, and purchases, whereas commercial enterprises started acting as sales

agents for state-run commerce. The result of the reorganization was the unprecedented "golden age" of China's history of capitalist economy in 1951, and the number of factories and shops increased by more than 10 percent.

The rapid development of capitalist industrial and commercial enterprises sharpened their conflicts with the state-run economy, with the government, and even with society. Most of the owners of the industrial and commercial enterprises evaded payment of taxes, did shoddy work, and used inferior materials in the course of production and of running their businesses, and they even employed deceit. They gave a large amount of bribes, bringing about the campaigns "against the five evils" (against corruption, against evasion of taxation, against stealing the state's resources, against doing shoddy work and using inferior materials, and against stealing the state's economic intelligence) in the first half of 1952. People not only began to realize the need to further reorganize the capitalist industrial and commercial enterprises, and they also perceived that they must be gradually reorganized into socialist ones through transition from state capitalism.

Although there had been the campaign "against the five evils," along with the revival of the national economy and the launching of large-scale economic construction, the conflict between socialist economy and capitalist economy became more tense day after day. In 1953, an extremely serious situation appeared in the grain market. The large-scale economic construction greatly increased the population for which grain must be supplied; the sales of grain increased rapidly, and private businessmen raised prices and competed in buying, making the state's plan to purchase grain difficult to realize. In some localities, the volume purchased did not reach one-third of the planned figure. This situation not only posed a threat to all the staff of the industrial enterprises, but also to all the urban dwellers. In the winter of 1953 China was forced to practice centralized purchasing and sales of grain and edible oil. Thereafter, owing to the same reasons, centralized purchases and sales of cotton and cotton cloth were also practiced, and the wholesale business became state-run. At the same time, the practice of placing state orders with private enterprises, and joint state-private operations gradually expanded from the big enterprises to the medium-size and small enterprises. This dilemma faced by the capitalist industrial and commercial enterprises was the third basic factor in China's choice of socialism.

**The fourth basic factor was the new international environment in which China was situated.**

New China was born in the acute struggle to overthrow the rule of the Kuomintang, which was supported by the West. In 1950, the Korean war made the already very tense relations between China and the West even more tense. China suffered long-term, tight diplomatic, economic, and military blockades. It was not only impossible for China to obtain aid from strong capitalist powers, but was also very difficult to conduct general

trade and interaction. The Chinese people, therefore, could only recognize capitalism from the memory of being themselves encroached upon and discriminated against and from the feeling of being threatened and opposed by hostility. At that moment, only the socialist countries and the countries fighting for their independence after the war expressed sympathy for China, and only the Soviet Union could assist China. Such assistance occupied a very important role in China's First Five-Year Plan. Although China insisted on starting from China's reality when formulating concrete economic policies and work methods, the Soviet Union's socialist system still played a great function of being an example for China to follow. Of course, if the international environment had been different, the conditions, chances, and methods China chose would be somewhat different, but describing history is different from writing fiction; we are not permitted to let our imaginations wander.

China practiced sectorwide joint government-private management in capitalistic industrial and commercial sectors. By paying the private counterparts an annual 5-percent interest rate as "reimbursement," China succeeded in peacefully transforming a capital economy into a socialist one. The method scored enormous success and is historically significant, however simple and crude it may look nowadays. The experience of the 1980's shows that when the socialist economy has acquired full ruling status, there can be allowed a small amount of capitalistic elements (this of course differs totally from the situation prior to the implementation of socialist transformation) acting as a beneficial supplement to the socialist economy. Dramatic scenes were witnessed in the 1956 sectorwide government-private joint operation drive in industrial and commercial sectors. Obviously, under the heavy influence of the experience in agricultural collectivization, much pressure was put on the joint government-private operation to rush through the transition period, with the result that a range of complicated issues were not handled as meticulously as they should have been.

In late 1956, Chinese leaders had pointed out that the major shortcoming shared by the many different approaches in the socialist transformation in capitalistic industries and commerce, agriculture, and handicrafts was an excessive degree of centralization. From production, business operations, purchase, and sales through planning: They were all centralized. This overcentralization proved unsuitable for the long-term development of the national economy. It should have been corrected in a timely manner, so that, within a certain scope, individual business operations could supplement the state and collective business operations. Free production could be a supplement to planned production and, similarly, so could free market to the state market.<sup>1</sup> Toward the end of 1956, Chinese leaders legalized the existence of some illegal "underground factories and

shopping malls," claiming that there would not be confiscation in the next 10 or 20 years as long as these factories and shopping malls did not break the law.<sup>2</sup> China had 90-percent socialism and would not be scarred by several percent of capitalistic elements acting as a supplement and comparison.<sup>3</sup> But this promising direction was cut short by "leftist" policies after 1957.

Problems in agriculture require special discussion. Agricultural collectivization in China differed in many aspects from that of the Soviet Union. Agriculture did not suffer much during the collectivization process, moreover, the many successes it had achieved are still making contributions, especially in areas of capital construction such as water conservancy, agricultural irrigation projects, and the application of farming machinery. Collectivized agriculture provided the state industrialization with abundant cheap grain, farm products, and labor services. But rapid changes, abusive administrative measures in the later periods, and irrational comparable prices between agricultural and industrial products ruined the peasants' motivation for agricultural employment and production. Moreover, collectivization did not provide outlets for rural surplus labor force. This is the reason the reform launched in the 1980's had to start with agriculture. Now people's communes, as everyone knows, have been replaced by a household contract system in which remuneration is linked to output. It must be pointed out, however, that Chinese peasants' production and management are still being assisted, served, and regulated, to various degrees, by economic bodies at the township and village levels, forming what is so-called the "double-tier operation" and "two-way contract." The collective economy remains the main sector in economically developed areas. Figures show that the gross revenues of township- and village-level enterprises and collective centralized units accounted for 40.8 percent of gross rural economic revenue, with the new economic joint bodies taking up 2.5 percent, and revenues from household operations, 56.7 percent.

Viewing China's 1950's overall economic and historical situation, what came out as the most important lesson is that socialism must, unavoidably, face—whether it is several years earlier or later does not matter—the choice of how much private ownership is to be preserved, and what degree of flexibility and variety in management and planning should be allowed.

#### Footnotes

1. Chen Yun: Speeches at the 8th National Party Congress, 20 September 1956.
2. Mao Zedong: Talks With the Responsible Persons of the Society for Democratic Nation-Building and Industrial and Commercial League, 7 December 1956.
3. Liu Shaoqi: Speech at the 52th Session of the National People's Congress Standing Committee, 29 December 1956.

## NATIONAL AFFAIRS, POLICY

**Industrial Price Restrictions 'Ineffective'**

90OH0011B Beijing JINGJI RIBAO in Chinese  
30 Aug 89 p 1

[Article by Zhang Chunrong 1728 2504 2837: "Not Allowing a Good Move Makes for a Dead Game; Discussion of Reasons and Preventative Measures for Miscarriage of Highest Price Restrictions"]

[Text] An unusual example of how China's markets are still in the undeveloped stage is provided by the highest price restrictions on steel outside of the state plan. It may after all be regarded as a good move if carried out appropriately, no matter whether it promotes increased production of commodities in short supply that are outside of the plan or if it readjusts the order of circulation. However, since the newly revised April announcement, methods such as this still have not reached the anticipated ideal. Steel consumers complain at length because metallurgical enterprises generally either overtly or covertly do not implement such methods; materials enterprises do not input supplies of goods according to factory output; the steel market is desolate and cold, while underground trading is extraordinarily lively; and actual market transaction prices are higher than price restrictions.

Various signs indicate that the highest price restrictions have already floated toward being miscarried.

*Where after all does the problem stem from?*

The primary cause is uncoordinated price restriction measures. Considering price restriction measures in force on steel alone, there are no corresponding measures for coal, electric power, and raw and secondary materials, which are directly related to steel production. In the first half of 1989, coal supplies were tight. Market prices were surprisingly high. Production costs for items outside of the plan in the metallurgical industry were higher than price restriction levels, causing prices to deviate from the laws of value. Objectively speaking, this has affected the initiative of enterprises and limited production of price restriction commodities.

Second, since the new highest price restrictions have been in effect, there has been no hurry to release supplies of important production materials. Price restriction levels on some commodities are very different from actual market transaction prices. Motivated by interest, metallurgical enterprises generally adopt flexible means so as not to implement price restrictions. It is said that metallurgical enterprises have more than 12 ways of covertly smashing the restrictions, including "dual receipt transactions," charging "processing costs" and "collection fee," practicing "returned profits of combined enterprises," no compensation for using customers' funds, reducing shipment volume, switching merchandise specifications, cashing in advance, and temporarily not writing receipts. At the same time, in

order to ensure supplies, some material supply enterprises have been forced to adopt covert means of staying in business in order to input goods for oversold output. Then too, some material supply enterprises have considered seizing the opportunity to profit.

Third, the order of circulation is confusing. The effectiveness of reorganization and readjustment is unclear. There are still too many units and individuals involved in the material production business although there was a turn for the better in the first half of the year when the market order was reorganized and readjusted. Materials departments had a "landslide" of sales, on the other hand, some nonmaterials departments had a truly active steel trade. Transaction prices generally were higher than the highest price ceilings. For example, prices per ton of wire, cold rolled thin plate, and copper were 2,200 yuan, 5,000 yuan, and 20,000 yuan, respectively, or a respective 50 percent, 40 percent, and 25 percent more than the highest price ceilings. Various illegal activities in steel distribution are still serious. Such a state of disarray only adds fuel to the fire.

Fourth, investigation and supervision are ineffective while the law is not adhered to. It is not that the central government has not been asked how to investigate and supervise implementation of the highest price ceilings. However, the departments involved implement them ineffectively. They either do not implement them, do not take timely measures to control things, or will "reckon accounts next winter." Furthermore, regarding behavior contrary to price controls, some departments in charge "half encourage it, half allow it to occur." In some places the government crazily turned on the green light, allowing some enterprises and illegal elements to be secure in the knowledge that they have strong backing to break price controls.

In sum, to avoid "miscarriages" of the highest price restrictions, we must coordinate price restriction policies and comprehensively control their implementation and environment.

At present, it will be difficult to coordinate price restriction measures at one blow. In order to support rational profits of metallurgical enterprises and make price measures more practical, in line with the principles of stabilizing the economy and material prices and increasing effective demand, we should make appropriate readjustments of current price restriction levels according to coal and other raw material price inflation levels and steel market demand.

At the same time, we must mete out severe punishments to protect the sanctity of state regulations. Once any covert price increase is discovered, we must also impose a certain fine in proportion with the transaction rate as well as collect over-price restriction income tax. Regarding metallurgical enterprises that avoid price restrictions and intentionally alter goods as nonprice restricted items, inappropriately add heavy processing fees or intentionally cut sales of steel that is outside the

plan, we must not only handle the personnel directly involved but should further place responsibility with the leadership in charge. As for those who disobey regulations and sell outside the steel market, we should resolutely rescind their business licenses. We should target implementing the highest price restrictions for measuring the effectiveness of an enterprise and for evaluating the achievements in the careers of an enterprise's leadership. Moreover, we must enhance supervision over public opinion. Departments in charge of studying and supervising prices should carry out their responsibilities earnestly. We should regularly investigate and supervise implementation of price restrictions, making public examples of those who ignore them, so as "not to be repeated."

Finally, we should continue to reorganize and readjust companies in the material circulation business. We cannot be lax. Departments in charge of materials, industry and commerce, and trades must be well coordinated and jointly guard the pass. As for those units and individuals that disregard important production materials, we should resolutely rescind their business licenses or switch them to other lines of business. In sum, the highest price restrictions can attain their proper role only by adopting comprehensive control methods, smoothing relations, coordinating well departments and areas, and controlling important reorganization measures.

## INDUSTRY

### Industrial 'Growth' Reported

SK2909020089 Shenyang LIAONING RIBAO  
in Chinese 4 Sep 89 p 2

[Summary] Over the past 40 years, the total industrial output value of Liaoning Province has increased by 99 times. The 25,000 industrial enterprises in the province now possess a total of 91.15 billion yuan of industrial capital and employs 5.666 million people, both ranking first in the country. One-third of the key enterprises have reached or approached the technological level the advanced foreign countries reached in the late 1970's or early 1980's. From 1979 to 1988, a total of 446 products won the state quality awards, ranking second in the country. Since the beginning of the 1980's, 1,700 new products have been put into production each year on an average; and the output value of the plants specially producing export goods has accounted for one third of the total industrial output value. In 1988 alone, these plants created 14.051 billion yuan of tax and profits for the state, 13 times the 1952 figure.

Comparing 1988 with the initial post-liberation period, output of steel increased by 105 times; pig iron, 80 times; raw coal, 8 times; crude oil, 252 times; electricity, 52 times; cement, 49 times; chemical fertilizer, 71 times; machine tools, 27 times; cotton yarn, 12 times; cloth, 5 times; and silk fabrics, 88 times.

### XINHUA on Development of Textile Industry

OW2009090689 Beijing XINHUA in English  
0916 GMT 19 Sep 89

[Text] Beijing, September 19 (XINHUA)—Fashion modelling has become one of the most admired occupations among Chinese youngsters.

The Chinese garment industry seems to have experienced "two centuries" over the past 40 years, said an old man who had just returned from overseas.

He remembered that there were only a few poorly equipped textile and garment enterprises in the coastal areas when the People's Republic was first founded four decades ago.

According to sources at the Textile Industry Ministry, the trade was in such poor shape then that it could only supply the population with an average of two meters of cotton cloth each per year; and ordinary people hardly saw any other garment materials like chemical fibers, silk or bast fibres.

A survey conducted by the ministry revealed that the average annual garment consumption was only a bit more than ten yuan-worth in the early 1950s, about one twentieth of the figure now.

For more than 20 years after liberation in 1949 tens of millions of Chinese people were wrapped in blue, black, or dark green. Cloth ration coupons kept the whole nation in drab uniforms.

The end of the "Cultural Revolution" in the mid-1970's geared up the country's textile and garment development, said an official in the ministry.

Statistics show that China's annual cotton cloth output reached 18.7 billion meters in 1988, double the figure ten years before, making it the world's biggest cotton cloth producer.

Starting almost from nothing, China's chemical fiber production has reached 1.8 million tons a year, ranking fourth in the world; the country's capability of wool manufacturing and bast system processing had tripled during the past decade.

Chinese silk, which makes up 90 percent of the world's silk exports, has provided the Chinese people with the most privileged access to this luxurious and elegant material.

In the early 1980s, the fashion-conscious Chinese finally found out that it was time to dress up and brighten up.

In September 1985, Chinese models first appeared at a Paris fashion show and made a big stir among their counterparts from all over the world. That marked the international debut of Chinese fashions.

Compared with the spending on other goods, the amount of money spent on clothing has experienced the biggest

development during the past few years, according to experts here. They attributed this to the growth of the national economy and the improvement in the standard of living.

Statistics from the Ministry of the Textile Industry show that last year's garment industry turnover from retail trade reached 110 billion yuan, making up 17 percent of the country's total social turnover.

All these things have given a great impetus to the textile and garment industries. By the end of last year, there were over 30,000 garment enterprises throughout the country, owned by the state, collective units in urban and rural areas, and even by private persons. Their output that year was 2.9 billion pieces.

The spread of vocational education has provided the country with batches of specialists in designing, processing, managing and trading in garments. Graduates of the Beijing Institute of Clothing Technology, the first and only one of its kind on the mainland so far, have won more than 20 medals at various competitions both at home and abroad.

Now China is the world's fifth-largest garment exporter. Its export income totalled \$4.8 billion last year, contributing 43 percent to the country's textile export income.

## CONSTRUCTION

### Liaoning's Urban Construction 'Forges Ahead'

SK2909020689 Shenyang LIAONING RIBAO in Chinese 4 Sep 89 p 2

[Summary] Over the past 40 years since the founding of the PRC, Liaoning's urban residential construction has been forging ahead rapidly and bringing about changes day after day. Since then, a total of 115,270,000 square meters of residences have been built in the province's urban areas. In particular, over the past 10 years since the 3d Plenary Session of the 11th CPC Central Committee, 83.51 million square meters of residences have been built in urban areas, and one third of urban dwellers have moved to new residences.

During the 29 years from the initial post-liberation period to 1978, 31.76 million square meters of residences were built in the province's urban areas. The floor space of residences built during the 10 years since the 3d Plenary Session of the 11th CPC Central Committee was 2.6 times that built from 1950 to 1978. In 1988, the floor space of residences completed in the province's urban areas reached 13.13 million square meters, the best in the history of construction.

Along with the rapid development of residential construction, the housing condition of urban dwellers has improved remarkably. According to the statistics compiled at the end of 1978, the per capita housing space in urban areas was only 3 square meters. As of the end of 1988, this figure developed to 5.6 square meters, and

some 1.6 million households moved to new residences, accounting for one-third of the total population.

### XINHUA Reviews Shanghai Construction Over 40 Years

OW0210132889 Beijing XINHUA in English 0111 GMT 2 Oct 89

[Text] Shanghai, October 2 (XINHUA)—China's largest industrial base, Shanghai in east China, has undergone great changes during the past 40 years of construction.

With the opening up of new industrial and residential areas, Shanghai's urban area has expanded from 82.4 sq km when New China was founded in 1949 to 375.44 sq km. The city is now a modern metropolis with a highly developed economy, science, technology, communications and culture.

In the 1950's Shanghai began to build satellite towns. In the 1980's, to satisfy the demand for opening to the outside world, it has newly opened up the Hongqiao and Minhang Economic and Technological Development Zones, and the Caohejing Microelectronics Industry Development Zone.

While making full use of funds and importing advanced technology to transform old enterprises, the city has also developed a group of key enterprises such as the Jinshan Petrochemical Works, Jinxing Television Company and Baoshan Iron and Steel Complex.

The port areas, including the Zhanghua and Rihui Harbors, have also been expanding at full speed. Now the ports have an annual handling capacity of 130 million tons.

Rapid progress has also been made in Shanghai's telecommunications and transportation. The new railway station, a comprehensive project, has a transport capacity 2.5 times that of the old one.

The Shilioupu passenger station has been transformed into the first modernized passenger transportation wharf in Shanghai. It can accommodate 6,000 people at a time.

The first-stage project of Hongqiao Airport has been completed, and the second stage is well under way.

To satisfy the needs of Shanghai's economic development and the people's livelihood, a complete set of power plants has been set up in the past 40 years. By 1988 the installed capacity of the whole city reached 3.8 million kilowatts, 15 times that in 1949.

The Nanqiao Hydropower Substation, the largest in Asia, is connected with China's mammoth Gezhouba Power Station, and with Anhui Province's Huainan and Jiangsu Province's Xuzhou power generating centers.

As for housing, some 57.8 million square meters of residential houses have been built, and 300 new residential quarters of different kinds constructed.



Highways now link Shanghai with the rest of the country. Two tunnels now offer safe and convenient communications across the Huangpu River.

In addition, Shanghai is now building the Huangpu River bridge, Suzhou River confluence sewage project and a subway line. With the completion of these projects, the city's communications and other municipal conditions will be greatly improved.

In 1986, the State Council approved Shanghai's overall construction plan for further expansion to become the largest economic and trade center on the west bank of the Pacific Ocean.

## FOREIGN TRADE, INVESTMENT

### Export 'Slump' Discussed, Remedies Proposed

40060745a Beijing GUOJI SHANGBAO in Chinese  
19 Aug 89 p 3

[Article by Xue Tao 5641 1718: "The Looming Threat of and Remedies for a Slump in Exports"]

#### [Text]I. The Looming Slump Threat

In the first half of this year, China's export situation was undesirable, with a slump occurring during the first quarter, when exports declined 8.1 percent from the same period last year. Although conditions improved from April onward, the threat of an export slump persists and is manifested primarily in the following ways.

1. Macroeconomic controls are weak, and foreign trade operations are in disarray. Foreign trade restructuring, as it progresses, has given all sectors incentive to develop external economy and, especially importantly, sparked the enthusiasm of the broad bases of enterprises for exporting and foreign exchange earning. Nevertheless, the failure of macroeconomic controls to keep pace and the lack of concrete and necessary administrative measures have led to chaos in foreign trade operations and excessive decentralization across the board, and many units have become involved in exporting and are viciously "warring" against each other.

2. Enterprises stress domestic markets and are losing enthusiasm for earning foreign exchange. Since last year, inflation has sparked precocious consumption such that demand outstrips supply on all domestic markets, which have become "sellers' markets" where marketing is much easier than the international markets which require herculean effort to penetrate. Thus some producer enterprises have been overcome by inertia. Then, there is the objective fact that sales prices of the same products are better on domestic markets than abroad. So many enterprises, in setting their marketing plans in accordance with the principle of maximizing profits, have been mesmerized by domestic markets to the neglect of international markets and are losing enthusiasm for exporting and foreign exchange earning, and the trend is toward further decline.

3. The contract fulfillment rate is slipping, and our traditional market advantages are weakening. These problems stem from the fact that producers face shortages of raw materials and accessories and thus find it difficult to make deliveries on time. In addition, because the quality of some exports is deteriorating, there are severe problems with adulteration of goods that are in tight supply, excessive insecticide residue in grain oil and local and animal products, sloppy processing of industrial products, and severe damage incurred through packaging. Furthermore, some foreign trade enterprises, strapped by shortage of credit to finance their operations, find it impossible to fulfill their export procurement plans. Then there are the lack of motivation and legal errors committed in contract writing. Consequently, the contract fulfillment rate steadily declines.

4. Product renewal is slow, and we lack reserve strength in foreign trade operations. Export product mix inconsistencies still stand out, raw materials and crudely processed goods still predominate, products of high value or added value that can earn much foreign exchange still only make up a small share of our total exports, and high-tech goods still remain at a primitive stage. Many enterprises upgrade their exports infrequently and have been unable to upscale and change the colors, designs, and styles of their products in accordance with demand on international markets. Especially importantly, few products representing new trends in world consumption have been developed. This has prevented us from "producing whatever people want," kept us at the stage of "selling whatever we produce," prevented our export line from responding to international market demand, and caused us to fall behind, lose out, and lack reserve strength in protean international competition.

#### II. Analysis of Causes

The causes of the slump are multifaceted and lie in the areas of the foreign trade administrative system and policy, of foreign trade enterprises, and of producer firms and the services provided to foreign trade. The causes may roughly be grouped into the following 10 areas.

1. Foreign trade reforms are not coordinated and improved enough. In addition to profit-loss responsibility by the enterprises, an open operation and management, an industry-trade integration, and popularizing the system of using an agent, the foreign trade reform system should also include a unified approach as an essential element in China's trade with foreign countries. Although we have effected contract responsibility and ancillary measures in foreign trade work, macroeconomic controls have failed to keep pace, which, on balance, has left foreign trade reform system incomplete and flawed. We lack a system of effective restraints against irrational, "civil war" behavior that harms the interests of others and of the nation, and have failed to formulate unified and coordinated measures delineating, as we must, spheres of operations in accordance with



each unit's advantages. In some localities, parent companies and their branches do their accounting separately, so coordination among the enterprises is greatly undermined when they each begin to assume profit-loss responsibility. These lacunae have led to excessive decentralization, in which many units engage in foreign trade operations, and rendered foreign trade work increasingly chaotic as units battle to aggrandize their own interests.

2. Foreign trade credit is tight. Under the current control-consolidation program, the state is retrenching finances and cutting back on loans, and foreign trade enterprises face severe shortages of funds needed to procure products for export and lack money to buy even good, readily marketable products. This state of affairs is unlikely to change much in the short term, and enterprises that depend primarily on credit to procure exports will have to "cook without rice" and make do as best they can.

3. There are shortages of raw materials and accessories needed to produce exports. Industrial production "overheated" last year and has stayed hot, thus putting pressure on supply of raw materials. Some localities have granted export producers a number of preferences in supply of raw materials, but this effort has not come close to meeting demand. Electricity shortage is pronounced, too.

4. There is great disparity in relative returns. Foreign trade producers bitterly complain that prices paid for exports are too low. The repeated rises in raw material and accessory prices, spiraling production costs, and the fact that export procurement prices are lower than domestic prices across the board and have never been raised has made exporting even less profitable than domestic sales and seriously dampened enthusiasm for production and sales of exports.

5. There was a low degree of understanding of how foreign trade decisionmaking is made, and enterprises complain that profit distribution is unfair. Producers consider their goods to foreign trade departments for export but have no way of knowing how much foreigners actually pay for the goods and cannot even ascertain where the goods are sold to. In fact, it is foreign trade enterprises that garner most of the preferences (such as tax rebates and budgetary subsidies for exports) the state grants for exporting, while producers' earnings rarely are taken into account.

6. Export channels are clogged, and the service mechanism is unsound. Even when foreigners like, and indeed place large orders for, the goods that they see at export exhibitions, producers have difficulty rendering smooth, on-time delivery because they lack opportunity to meet the foreigners again. In addition, for some products, raw material supply, packaging, and other problems cannot be resolved domestically and require importing by relevant agencies, yet the service mechanism is very

unsound. Failure to promptly resolve enterprises' problems makes it even more difficult for firms, in the absence of necessary support, to export, so one export idea after another fizzles out.

7. Preferential policies are rarely implemented and are gradually losing their attractiveness. Although localities have devised a series of preferential policies in an effort to encourage exporting and foreign exchange earning, few preferences actually have been implemented, so enterprises often feel let down. Yet even if all the preferences were carried out, they would not prove very beneficial and have lost much of their attractiveness, as the foreign trade environment changes and enterprises assume greater burdens.

8. Foreign exchange retention quotas are low, the spending approval process is slow, so foreign exchange is tough to use. Foreign exchange retention quotas certainly are low for coastal producers yet are even lower for units in the west. Enterprises in Shuyang County, Henan report that the quotas they receive from foreign trade departments are less than one-sixth of those enjoyed in coastal cities and that approval to use their quotaed holdings takes half a year or more. Some enterprises receive directives at the end of the year freezing all of their little bit of hard-earned foreign exchange, which they therefore cannot use. And even when enterprises are allowed to spend their quoted amount of foreign exchange, they have to ask for one approval and directive after another in order to import needed equipment, so importing remains out of reach, which fact impedes technological transformation and expansion of reproduction for exports.

9. Export mix readjustment is sluggish. In the effort to effect control and readjustment, enterprises place great emphasis on readjusting their product lines, but their attention has been riveted upon domestic markets, as the latter and their prices are better than external markets, so export mix readjustment is slow, and we still keep sending out the same old stuff year after year. Although there have long been demands for an increase in export of manufactures, finely processed goods, machinery, electrical products, and instruments, no progress has been made in this area, as we have failed to readjust our export line in accordance with international market demand. The unmarketability of our products and the failure to find new substitutes are growing ever more serious, and yet some enterprises still do not think this is the case.

10. There is serious waste of foreign exchange, and this problem hinders export growth. In recent years, there has been rampant importing; the pernicious trend of wasteful extravagance, though long proscribed, has proved tough to eradicate; much of the foreign exchange enterprises have worked so hard to earn has been squandered on unneeded imports; while the advanced technology and equipment and essential raw materials export producers desperately need cannot be imported due to

lack of foreign exchange, which state of affairs impedes build-up of reserve strength for developmental purposes.

### III. Remedy Ideas

The stable growth of foreign trade is a major issue that safeguards economic life and that directly affects the stability and growth of the entire economy, the entire effort to effect control and consolidation and to advance reform, and our ability to increase effective supply. Next year marks the beginning of a debt repayment hump for China, so there will also be a direct relationship between growth in foreign exchange earnings and our ability to service our debt. Thus all localities should soberly recognize the implications of the looming export slump; strive to raise crisis and hardship consciousness; adopt strong measures; effectively prevent a slump in exports; stress exporting, foreign exchange earning and ensuring stable growth in foreign exchange receipts as major issues; avoid slipping into passivity on foreign trade problems; and support and promote the smooth implementation of economic readjustment, reform, and opening.

First, in line with the need for complete integration, we must advance foreign trade restructuring. We must achieve a correct understanding of the relationship between operational decentralization and unified approach to the outside world and on this basis establish necessary administrative and control mechanisms and maintain stability in foreign trade operations. Meanwhile, we must also promote the development of foreign trade conglomerates; establish solid, major export channels; delineate operational spheres on a trial basis; and ensure that the earnings of key enterprises and pioneers are not undermined. Especially importantly, we must promote the practice of using services to guide foreign trade operations in a healthy direction and ground macroeconomic control in specific services. Foreign exchange earning is rooted in enterprises, so we must advance enterprise reform. In our effort to effect control and consolidation and to improve the foreign trade contract responsibility system, we must introduce target responsibility systems for foreign trade and producer enterprise managers, appoint managers through open bidding, and find the optimal fit. Meanwhile, we must make assessment systems and targets more strict, set fund turnover rate and contract fulfillment ratio and reduce cost targets, and establish a strict and explicit job responsibility system and strict and impartial reward-disciplinary and assessment systems.

Second, we must handle the relationship between domestic and external sales in a unified fashion and exploit every means possible to expand export supply. We must correctly handle the relationship between domestic and international markets and, while ensuring domestic supply, aggressively encourage export expansion. We must export, as much as we can, goods for which we possess abundant resources and that we do not really need at home, and strive to expand mass production of goods that are needed both at home and abroad

so as squeeze forth more exports. Especially importantly, we must mobilize as much as possible the foreign exchange retained by a number of localities, increase processing of imported materials for export, and utilize a variety of channels and the surplus capacity of producer enterprises to undertake more processing and exporting of materials supplied by foreign clients; more export assembly, and more production of the same brands for export.

Third, we must tap all potential and resolve the problem of foreign trade credit shortages. Besides having banks increase loans for foreign trade operations, we must mobilize the initiative of all quarters and use a variety of channels and methods to raise funds to finance foreign trade operations. In addition, foreign trade enterprises must overcome their "waiting, dependence, and begging" mentality, and we must establish the notion that results are achieved through proper management and that funds are to be obtained through results, strengthen fund management, improve fund-use results, and accelerate fund turnover. We must make a careful inventory and press collection of accounts receivable and payable, credit sales, domestic and external overdue receivables, and seriously delinquent import loans and promptly liquidate export inventories so as to invigorate idled funds and steer them into foreign trade operations. Especially importantly, we must stay abreast of import and export transaction deadlines, obtain higher selling prices and lower purchasing prices, reduce the amount of idle foreign exchange held by units either as earnings or for use, curb unnecessary imports, economize on foreign exchange use, increase the amount of foreign exchange committed to foreign trade operations, and create the salubrious cycle of exports—foreign exchange earnings—steering of foreign exchange into foreign trade operations—more foreign exchange earnings.

Fourth, we must accelerate readjustment of our export mix in accordance with the dictates of international markets and with state industrial policy. We must conscientiously implement the State Council's "Decisions Concerning the Essentials of Current Industrial Policy"; readjust our export line in accordance with international demand; fully exploit the advantages and potential of China's productive technology; promote export upscaling; vigorously expand exports of machinery, electrical goods, home appliances, light industrial goods, handicrafts, clothing, processed foods, building materials, interior design and home improvement materials, other sophisticated manufactures, and foreign-exchange-earning agricultural produce; and increase the share of manufactures—especially finely processed goods, machinery, electrical products, and instruments—in our total exports. Meanwhile, we must follow current policy, conscientiously stress export of goods processed from imported materials, and strive to improve product quality, to upgrade our products, and to increase foreign exchange earnings rates so as to

strengthen the competitiveness of our exports on international markets and to improve the results of our foreign trade operations.

Fifth, we must readjust relative returns and give export producers more real reward. The stable growth of foreign trade is rooted in producers, and only by giving producers incentive to export and earn foreign exchange can we prevent a slump and promote growth in exports. Thus we must carry out the spirit of "bringing in water to raise fish" and grant more preferences and provide vigorous support in terms of human, material, and financial resources as well as in other areas to export producers.

Sixth, we must improve the contract fulfillment rate to preserve our foreign trade reputation. When drawing up contracts, we must proceed cautiously, argue our case thoroughly, strictly follow procedures, and, while ensuring ourselves some leeway, properly prepare contracts in accordance with international practice. In particular, when drawing up contracts, we must make sure to conduct proper credit checks on our customers and to finalize all sourcing arrangements. Once we sign contracts, we must properly coordinate trucking and shipping and strictly honor contract provisions on delivery deadlines and product quality and quantity. Foreign trade departments must properly handle the key links in this work, substandard goods absolutely must not be procured, commodity inspection departments must strictly carry out their work, and substandard goods absolutely must not be loaded and shipped. We must also aggressively resolve the problem of motivational inadequacy.

Seventh, we must strengthen discipline in foreign trade work and improve export price management. First, we must shake up foreign trade enterprises. "Official" companies set up with local approval must conscientiously be investigated and overhauled in strict accordance with conditions obtaining within the firms. Substandard firms must have their import-export authority revoked, with absolutely no indulgence or leniency. Once overhaul is effected, we must establish and improve foreign trade enterprise approval and assessment systems, strengthen control and administrative mechanisms, and systematize and discipline approval work. Second, we must make policy and regulations governing procurement prices strict and explicit and stamp out procurement scrambles and the driving up of prices. When procurement "wars" among ports, regions, or enterprises produce losses, the perpetrators' exports should be limited or their export plans reduced, depending on the circumstances, so as to discipline enterprises and to improve foreign trade operations in a unified fashion.

Eighth, we must provide quality service and contribute more to the growth of foreign trade. Foreign trade is an economic activity that involves many spheres, so reliance on foreign trade departments alone is like "clapping with one hand—there's no sound"; joint efforts from relevant departments are required, especially to provide

quality service. Communications and transport departments must ensure that imports and exports flow smoothly. Customs, commodity inspection, and other agencies must do their jobs but also simplify formalities and improve efficiency. Production, circulation, planning, finance, and other sectors must also work to create a good environment and good conditions for exporting. And, especially importantly, leaders at all levels must assign foreign trade work an important position, strengthen leadership and coordination, help resolve practical problems, and strive to ensure stable growth in foreign trade.

## POPULATION

### China's 'Achievement' in Family Planning

OW2409075389 Beijing XINHUA Domestic Service  
in Chinese 1305 GMT 23 Sep 89

[By reporter Xu Jiling 1776 2623 3781; Local Broadcast News Service]

[Text] Nanjing, 23 Sep (XINHUA)—Speaking at a national conference on education of family planning cadres held recently in Nanjing, Peng Peiyun, minister of the State Family Planning Commission, said: In the course of effectively controlling population growth, China has also witnessed a gratifying change in people's views on marriage and childbearing and an improvement in the quality of its population. This is an important indicator of the outstanding achievement made in family planning since the founding of New China.

Peng Peiyun pointed out: After years of hard work, China has effectively controlled excessively fast population growth. China had 200 million fewer births between 1970 and the end of 1980, if the 1970 birth rate is used as the basis of calculation. This means a saving of 3 trillion yuan which must be spent in raising children. Thanks to the decline of China's birth rate, the world population reached 5 billion—2 years behind what was originally expected, and the Asian population reached 3 billion—3 years behind what it was originally expected. This is a positive contribution to the stabilization of the world population.

Peng Peiyun believes that change in people's views of marriage and childbearing is an important achievement of China's family planning program. She said: Early marriage and childbearing and stress on having more children without regard to eugenics are characteristic of traditional Chinese views of marriage and childbearing. Today more and more people have come to realize that the number of children and their quality affect not only the family's living standards and happiness but also the strength of the country and prosperity of the nation. A new social mood supporting family planning, late marriage, late childbearing, fewer children, and better eugenics has gradually come to exist.

According to a survey, in 1970 less than 14 percent of all newly married women in China married late, that is, marrying after they reached the age of 23. By 1987, this percentage had increased to 30, more than twice as high as that of 1970. In 1970, 47 percent of all newly married women married early, that is, marrying before they reached the age of 20. By 1987, this percentage had declined to 20, less than half of that of 1970. In addition, the percentage of single child families in our country has also notably increased. In 1970, 20 percent of Chinese families had one child while more than 60 percent of them had more than one child. By 1988, single child families accounted for more than 50 percent of all Chinese families, while the number of multiple children families had declined to about 15 percent. At present, more than 34 million couples of childbearing age in China have received the one child family certificate, and more than 150 million married couples of child bearing age, or more than 70 percent of all married couples of child bearing age, are using contraception.

Peng Peiyun pointed out: Practicing family planning has also greatly improved the quality of the population. As a result of fewer births and better eugenics, China's infant mortality rate had declined to less than 4 percent by the 1980's, as compared to more than 20 percent before the founding of New China; the average life expectancy had increased from 35 years before the founding of New China to 69 years by 1987; and the death rate of the population as a whole had dropped from 2.5 percent in the period before the founding of New China to 0.7 percent by the 1980's.

## TRANSPORTATION

### Transportation, Communication in Jilin

SK2609124589 Changchun JILIN RIBAO in Chinese  
10 Sep 89 p 1

[Summary] Over the past 40 years since the founding of the PRC, our province has made rapid progress in transportation and postal and telecommunications services and has preliminarily set up a transportation network, through which railway, highway, inland water, and aviation transportation services supplement each other, and a communication network served with various postal and telecommunications means.

Since 1955, the province has successively built eight railway lines. So far, there are 27 main and feeder railway lines within the boundaries of the province; these railway lines cover 3,786 km and their service mileage is 3,488 km, an increase of 47.6 percent over 1949. In 1988, the density per 100 square km-railway lines was 2.02 km, 2.6 times the national average level. The province's road service mileage has reached more than 24,900 km, 3.5 times the figure of 1949.

To meet the new situation of reforms and opening to the outside world, our province rebuilt the Changchun Dafangshen Airport. Over the past years, the province

successively opened notstop air routes from Changchun to Guangzhou and Shanghai. As of 1988, the province had seven air routes.

Along with the development of transportation construction, the number of vehicles has increased noticeably. By the end of 1988, the province had 689 locomotives, 1.9 times the figure of 1952; and 1,371 passenger trains, an increase of 4.2 times. Meanwhile, the province had 144,000 civilian-use motor vehicles, 86.7 times the figure in the initial stage of the founding of the PRC.

There are 1,062 postal and telecommunications offices in the province, an increase of 86.6 percent over 1952. As of June 1986, the cities and towns at or above the county town level across the province were equipped with automatic telephone services, being among the first to realize the telephone automation in China.

### Northeast's Longest Bridge Opens

OW2409140489 Beijing XINHUA in English  
1254 GMT 24 Sep 89

[Text] Harbin, September 24 (XINHUA)—A highway bridge across the Songhua River in Jiamusi City of Heilongjiang Province, northeast China's longest, opened to traffic today, 15 months ahead of schedule.

The 1,396.82-meter-long bridge is 17 meters wide including three-meter sidewalks.

Construction began in July 1986. The bridge cost 106.17 million yuan (about \$28.69 million).

The bridge will help boost the development of the Sanjiang Plain (valleys of the Songhua, Heilongjiang and Wusuli Rivers).

### Development of Aviation Industry

HK0310091189 Beijing RENMIN RIBAO in Chinese  
26 Sep 89 p 5

[Article by staff reporter Zhang Heping 1728 0149 1627: "A New Chapter in the Vast Blue Skies—An Account of the Development of China's Civil Aircraft"]

[Text] It was in Hefei on 29 April 1986.

Over the airport, banners were fluttering. With great excitement, people were waiting for a solemn moment in the history of China's aviation.

At 10 am, three signal flares lit up the sky. A silvery-white medium- and short-range passenger plane glided onto the runway and climbed up! The airport was suddenly astir with an ecstasy of joy!

This was the first time our homemade Transport-7 plane had flown with passengers aboard. This put an end to the history of domestic flights on foreign airplanes. The vast blue sky witnessed a brilliant chapter written in the history of China's aviation industry!

Now, 52 homemade Transport-7 planes are flying on more than 70 air routes between the south and north of the Motherland, carrying more than 1 million Chinese and foreign passengers. Transport-7's constitute the largest fleet of aircraft in our civil aviation. Several days ago, there again came an exciting piece of news. Up to the first half of September this year, Transport-7 airplanes chalked up a combined total of 100,000 hours of safe flying, with 100,000 take-offs and landings.

### Do It On Our Own

It was in the 1980's of the 20th century.

After the veil of mystery was slightly lifted off the war industry, people were surprised to find that the Motherland's aviation industry, rarely heard of before, was so strong! In the past 30 years, the aviation industry had triumphantly completed the brilliant process, from repairs and imitation, to self involvement in design, research and manufacture. Several hundreds of thousands of scientific and technical personnel, workers, and cadres had provided the state with more than 10,000 planes.

But people were also surprised to find that serving on domestic air routes were foreign passenger planes! What a contradiction and what an unpleasant fact! People looked forward to riding on their own passenger planes.

At the political bureau meeting in October 1981, Comrade Deng Xiaoping said with foresight: "We must consider manufacturing on our own, those planes serving domestic routes." Not long after, he again stressed: "As to our future domestic civilian planes, we must use homemade products."

The Party Central Committee and the State Council put the development of homemade aircraft on the agenda as an important item.

### A Handsome Young Man

The research and manufacture of Transport-7 planes started in the latter part of the 1960's. Given concern from Premier Zhou Enlai and Vice Chairman of the Central Military Commission Ye Jianying, our first homemade Transport-7 plane were test-flown. "Bringing a plane up in the air is no easy thing. Its finalization is still more tough." There was then a period of turmoil. Research and manufacturing work was rendered quite difficult. There had been repeated delays in finalizing the design of the plan and production.

The spring breeze of the 3d plenary session of the 11th CPC Central committee, coupled with the cries of domestic air routes, accelerated the research and manufacturing process of Transport-7 airplanes. In July 1982, after the completion of a series of tests and test flights, and especially after very exacting single-engine take-off and landing test flights, and other programs, the state approved the finalization of the design of the Transport-7 plane and its manufacture on a small scale.

Reform and openness "made things perfect" for the Transport-7. To make the Transport-7 safer and more reliable, comfortable and economical, the Xian Aircraft Manufacturing Company in 1985 entered into cooperation with the Hong Kong Aircraft Company, importing advanced equipment from abroad and making communications, navigation, radar, seating, decoration, environmental control and amenities changes in Transport-7 planes.

Early in the winter of 1985, the reequipped Transport-7-100 airplane and Transport-12-I multi-purpose airplane flew directly to the Capital's airport. They presented an impressive sight, as they were reviewed by party and state leaders. Comrade Wan Li said with praise that these two airplanes were well-made. After riding on the Transport-7 over the airport, Comrade Li Peng said with delight: "The performance is not bad!"

At the Capital's airport, then Vice Premier Comrade Li Peng, presided over a meeting of the Civil Air Aviation Office of the State Council. The meeting clearly pointed out: "For a big country like ours, we cannot get along permanently relying on purchased foreign planes in developing the aviation industry. We must gradually establish a base in our own country." The meeting also made the decision: At present, except for imports needed for international routes and main domestic routes, we must use more Transport-7 planes for provincial auxiliary routes and routes between provinces, with generally no more imports obtained. Not long after, the CPC Central Committee approved the inclusion of the development of civil planes in the Seventh 5-Year Development Plan and also the appropriation of funds in support. The Civil Aviation Administration of China decided to buy 15 planes during the Sixth 5-Year Plan and another 40 during the Seventh 5-Year Plan. With Transport-7 planes put on civil flights, a new page was turned in China's airplane-making industry. A broad prospect was also opened up for the use of more homemade planes in China's civil air transportation.

It was said that Comrade Zhang Aiping, who had given his all to the research and manufacture of Transport-7 planes, showed unconcealed partiality for this "pride of the nation." He described it as "a handsome young man" in four Chinese characters. Thereafter, the title of "a handsome young man" made the rounds. Three years later, "the young man" had grown up as an adult and become increasingly strong. The life of an engine overhauled for the first time was prolonged to 2,500 hours. The life of most plane equipment was prolonged to more than 4,000 hours.

Now, the "handsome young man" has not only flown under the Motherland's blue sky but also gone into service on an international flight as an air link between the people of China and Korea.

### Running Around Everywhere

After the party and the government decided to accelerate the development of civil airplanes and included them as

part of important state technology and equipment, the research and manufacture of airplanes for civil use developed rapidly. There was a trend toward plural development, with the combination of passenger and cargo transportation, the combination of multiple uses and specialization, and the combination of the large, the medium-sized and the small.

Since the finalization of the design of the home-made Transport-8 Transport Plane called the "Hercules in the air" in 1980, several tens of such planes have been used in the country. They have flown across the rooftop of the world many times carrying goods to Tibet and reaching all provinces and regions of the country except Taiwan Province. In December 1986, the first home-made Transport-8 "Black Eagle" transport plane successfully carried a helicopter for the first time.

The Transport-5 "short-distance air passenger bus" praised as "the imposing eagle of Tianshan skilled in the art of afforestation" was remodelled after more than 900 of were produced. The first remodelled plane Transport-5 B started flying at the end of 1987.

At the end of 1985, the new-type multi-purpose helicopter researched and manufactured by our country—Helicopter-8—flew successfully for the first time in Jingdezhen City in Jiangxi.

In 1986, the "Sea Swallow" new-type specialized plane was successfully test-flown in Nanchang, adding a new variety to our civil airplane system.

In the autumn of last year, the Transport-7 Cargo-Transport-Type plane again flew for the first time in the air over Yanliang, Xian. It will be the "twin brother" of the Transport-7 Passenger-Transport-Type plane.

Transport-11 small-sized multi-purpose airplanes, which can be called the core of the fleet of aircraft in general use, with emphasis on agriculture- and forestry-related operations, are being improved upon and remodelled. Remodelled Transport-11 B and Transport-11 A will fly in the air next year and the after after respectively. A new-type agricultural airplane—Agriculture-5—are being researched and manufactured. It can be expected to fly for the first time at the end of this year. The Transport-7 200B with still better performance, and the Transport-8 C, which has been changed with a closely sealed cabin, are expected to fly next year.

### Heading for the World

China's aviation industry is still very young. When it walked into the area of world aviation with brisk steps, it aroused people's attention. At the British Farnborough International Aircraft Exhibition in September 1986, at the Hannover International Fair of Federal Republic of Germany in April 1987, at the Paris International Aircraft Fair in June 1987... When material objects, models and diagrams representing China's various kinds of military and civil aircraft were displayed before Westerners, this created quite a stir.

"The quick pace of development of China's aeronautical technology is really shocking!" Those in international aeronautical circles spoke highly of it. "China has come out with airplanes of good quality at low prices," commented the local press. Words like "keen concern and extremely great interest" were used to describe the response to China's participation in exhibitions. Many businessmen showed a deep interest in China's civil aircraft and indicated a desire to make purchases.

On 13 November 1986, a zero record was broken! Two Transport-12 airplanes were packed up in Harbin for transportation and shipped from the Shanghai Harbor to another country, putting an end to the history of China's being unable to export civil aircraft.

After the export of Transport-12 planes, two Transport-8 airplanes crossed the Pacific in December 1987, thus reaching out to the world!

In the past 10 years or so, the road traversed by China's aviation industry has been one based in China and cooperating with foreign countries. With the development of auxiliary route planes and specialized planes, the research and manufacture of main route planes has become the new target of China's aviation industry. In our aviation industry, eight leading airplane and engine companies (factories) have, through compensatory trade and other patterns, successively manufactured airplane spare parts and components for over a dozen countries, including the United States, Britain, Federal Republic of Germany, France, Canada, Italy, Sweden, and so forth. The products turned out for others have gradually developed from technologically and technically simple spare parts, to technically advanced large-sized components. China is now capable of producing vertical empennages for Boeing 737-300 passenger planes. It will also put into production the nose of MD-82—a medium- and short-range jet-propelled passenger plane—getting closer, step by step, to main route airplanes.

On 2 July 1987, the first MD-82 plane manufactured by our country in cooperation with the U.S. McDonnell Douglas Company pierced the clouds over Shanghai airport. After the successful testing, this MD-82 passenger plane was immediately put to use by the CAAC. According to an agreement, both sides will jointly manufacture 25 MD-82 planes by 1991. At present, nine such planes have been delivered.

A pre-development agreement on the joint development of the MPC-75 passenger plane with a 70-90 seating capacity between our country and Federal Republic of Germany has been signed. Cooperation is under way.

Researching and manufacturing main route airplanes has been a long-cherished ideal of several generations of people in our aeronautical circles. This will be a new takeoff!

**Railway Line Completed in Heilongjiang***OW2809024689 Beijing XINHUA in English  
1449 GMT 27 Sep 89*

[Text] Harbin, September 27 (XINHUA)—A new railway line—the Longhe line connecting Longzhen with Heihe in Heilongjiang Province—was completed today.

The railway line, constructed and run by local authorities, is one of the key projects of China's Seventh Five-Year Plan (1986-1990). Construction began in 1986. It has a length of 241 kilometers, and has 30 bridges and 266 culverts.

It is expected to open to traffic early next year.

**Highway Network Completed in Xinjiang***OW0210124989 Beijing XINHUA in English  
0152 GMT 2 Oct 89*

[Text] Urumqi, October 2 (XINHUA)—With the opening of two highways crossing the Taklimakan and Gurbantungut Deserts, the Xinjiang Uygur Autonomous Region has completed a highway network connecting it with the inland provinces and regions.

Xinjiang accounts for one sixth of the country's total landscape. It has vast expanses of deserts and snow-covered mountains. The transportation capacity of the railways here is far from enough for the economic development of the region.

The region has built more than 25,000 kilometers of highways—six times the length of those before liberation—and 2,000 bridges with a total length of 45,770 meters. The region has also laid 10,700 kilometers of asphalt pavement.

Urumqi, capital of the region, is linked with all the counties and 85 percent of the villages in the region.

**AGRICULTURE****Grain, Edible Oil Industries***40060636d Beijing Dangdai Zhongguo De Liangshi  
Gongzuo [CHINA TODAY: FOOD GRAIN] in Chinese  
1 Feb 1988 pp 325-370*

[Chapter 9. "Grain and Edible Oil Industries" from the book *Dangdai Zhongguo De Liangshi Gongzuo*; Deng Liqun, Ma Hong, Wu Heng, chief editors]

**[Text] Chapter 9. Grain and Edible Oil Industries**

China has a long history in the use of stone mills, water powered trip-hammers, and wooden oil presses to conduct handicraft industry workshop-style grain and edible oil processing. Mechanized production also appeared 100 years ago as a new industry. During the revolutionary war period, the grain and edible oil industries were responsible for supporting the front lines and

insuring supply. After the war was over, they continued to play a role in stabilizing markets and serving the people's daily lives.

Following the founding of the New China, the grain and edible oil industry's administration system developed from decentralization toward centralization. Under the principle of unified leadership and level-by-level administration, and in conjunction with implementation of the monopoly purchase and sales policy, old industries were transformed; the pattern of distribution was readjusted; techniques were changed; some new enterprises were built; and management was improved. In addition, rigorous efforts were made to expand production; active efforts were made to use the by-products of grain and edible oil processing in multiple ways, and to build and develop mechanized grain and edible oil industries. As a result of these efforts, the grain and edible oil industry scored outstanding achievements in insuring supplies to the armed forces and food to the civilian population, and in supporting the building of socialism.

Following the 3d Plenary Session of the 11th Party Central Committee, as the amounts of grain and oil-bearing crops for processing increased, changes also occurred in market demand that required the grain and edible oil industries to develop refined processing and multiple processing. Consequently, production of refined rice, refined flour, and refined oil increased year by year, thereby providing more and better material conditions for development of the country's food industry. Grain departments' own food production, as well as their volume of business, also increased steadily. Thanks to exchanges both inside and outside the country, new changes occurred steadily in the grain and edible oil industries' production techniques. Accompanying reform of the country's economic management system, dealings in grain and oil through multiple channels, the grain and edible oil industries' further promotion of allocation in return for payment, the gradual expansion of enterprises' autonomy, and administration and management entered a new stage. These changes showed in a concentrated way the steady increase in value of products of the grain and edible oil industries, and that the extent of increase in economic returns far exceeded the extent of increase in gross output value. Gross output value of the grain and edible oil industries was 22.5 billion yuan, up 48 percent from 1978. Profits amounted to 1.311 billion yuan, up 1.27-fold over 1978.

**Section 1. The Establishment and Development of the Socialist Grain and Edible Oil Industries***I. A Historical Survey of Grain and Oil Industries in China*

In old China, the grain and edible oil industries, along with the textile, match, and paper making industries were China's first light industries that began at the end of the 19th century. Some of the major changes that they occasioned were as follows: advanced mechanical production taking the place of backward manual operations



for an increase in quantity and quality of finished grain and oil to meet the needs of the development of industry and the flourishing of cities; new forms of enterprise management taking the place of handicraft industry workshop style administration and management for a rise in the labor productivity rate; strengthening of the ranks of the proletariat, with the emergence of national bourgeoisie entrepreneurs with special managerial capabilities, and the training of a number of personnel skilled in production and management. These industries became major industries affecting the national economy and the people's livelihood in the semi-feudal, semi-colonial society. The flour industry was concentrated largely in coastal areas and in major inland cities. It operated on a fairly large scale, was rather highly mechanized, and produced products of rather good quality. Not only was its flour marketed in China, but large quantities were exported for a time and enjoyed a fine reputation abroad. The rice milling industry consisted of medium and small size, widely scattered plants for the most part. In some cases, a shop was in the front and the plant in the rear. They reprocessed brown rice to the different degrees of whiteness that local residents wanted, insuring freshness and tastiness. The masses very much appreciated them. Once vegetable oil plants began to use machine production, oil quality was much better than that produced by old style native methods, setting the stage for volume exports.

However, like other national industries, the grain and edible oil industries were oppressed by the "three big mountains" [imperialism, feudalism, and bureaucracy]. They were able to rise to their feet only after incessant struggle. The flour industry, which was founded earliest, was also most grievously attacked in substantial reflection of the arduous course of the grain and oil industries in old China.

Records show that during the 17 year period from 1896 through 1912 a total of 90 machine flour mills were built throughout the country, 47 of them, or 52 percent, were Chinese owned. After the outbreak of World War II, when the imperialists were preoccupied with other matters, China's state-owned industries developed fairly rapidly. From 1913 through 1921, Chinese businessmen built 105 flour mills, more than double the total number built during the previous 17 years, while foreign businessmen built only 18 flour mills during the same period. During this period, the number of large and medium size flour mills having an output of 2,000 bags per day increased substantially. They produced more than enough flour to meet domestic needs, so in 1915 China changed from importing to exporting flour. This was a golden age for the flourishing of China's flour industry. Following the end of World War I, the imperialist-backed warlords in China fought each other for years on end, and the people were destitute. Abetted by and in collaboration with them, foreign merchants staged a comeback. Large scale imports of flour recurred. This struck directly at China's agriculture, and its flour industry. Following the September 18th Incident [the

Japanese seizure of Shenyang], there were 157 flour mills in China. Sixty four of those, in China's three north-eastern province (including 25 in Harbin), fell into the hands of the Japanese aggressors. Because channels for the transportation and marketing of flour in the north-east from flour mills south of the Great Wall were cut, and because of the dumping in China of cheap foreign wheat, the price of flour in China dropped, and production likewise fell on hard times. At the beginning of the all-out war of resistance to Japan in 1937, flour mills south of the Great Wall were directly plundered by the Japanese aggressors, which brought them even closer to their last gasp. The flour mills listed at that time as under "military control" of the Japanese aggressor army, and as "appointed businesses," had an annual flour making capacity of 67.5 million bags, 90 percent of the total capacity of the whole country. Distribution of all the raw materials they required was under control of Japanese puppet organizations, and a large number of the flour mills were up to their ears in debt. They were scarcely able to carry on. The exploitation and oppression to which the broad masses of staff members and workers were subjected was especially grievous. Following victory in the war of resistance, the Kuomintang government brazenly launched a large scale civil war during which the currency depreciated, and prices skyrocketed. The flour industry found it very difficult to continue normal production. In order to protect the value of the currency, which fell several times during a single day, the Kuomintang government unscrupulously resorted to blackmail. It seduced all mills into selling large quantities of flour at the parity price, claiming that later on it would distribute American wheat to them to make up losses. Between August 1945 and January 1946, the Fuxin, Fufeng, Huafeng, and Yutong mills in Shanghai, and the Maoxin Mill in Wuxi sold between 300,000 and 400,000 bags of flour each month—each bag at between 1,000 and 3,000 yuan less than the market price, incurring losses totaling 1 billion yuan. In the end, the mills received only 200 million yuan worth of wheat in "compensation." In 1947, the Kuomintang government changed from the importation of "relief wheat" to the importation of "wheat flour," thereby striking yet another blow against national industry. For example, "relief flour" shipments to central China from January through November 1947 totaled 84,200 tons, 28.6 percent more than the annual output of the flour mills in Wuhan City. Wuhan's wheat flour output was approximately 13,000 bags per day, but it sold only 3,000 bags per day at that time. All it could do was halt production or sell at reduced prices. As another example, more than 20 of the 49 flour mills in Jiangsu, Zhejiang, and Anhui provinces that were members of the Wheat Flour Trade Association, were in bankruptcy on the eve of liberation.

This shows clearly that under oppression of the "three big mountains," grain and edible oil industries in old China were always on the brink of collapse, lingering in a steadily worsening situation. The legacy that they left the new society was meager in the extreme. Only following liberation of the whole country, when a socialist



transformation was carried out under the correct leadership of the CPC, were they genuinely able to advance along a level road, make a fresh start, and contribute strength to the socialist revolution and the cause of reconstruction.

## *II. Establishing the State Owned Economy and Reforming Private Enterprises*

In June 1950, the 3d Plenary Session of the 7th CPC Central Committee said explicitly that rational restructuring of existing industries and businesses was one of three ways in which to bring about a fundamental change for the better in the financial and economic situation. During this session, Mao Zedong proposed the gradual elimination of blindness in action and anarchy in the economy. He called for rational readjustment of existing industries and businesses under a policy of unified planning with due consideration for all concerned, conscientiously and properly improving relationships between the public and private sectors, and between labor and capital to enable various socio-economic sectors to make a cooperative division of labor, each playing a role under leadership of a state-owned economy of a socialist nature in order to promote the revival and development of the entire society and economy.

The grain and edible oil industries were confiscated and existing bureaucratic capitalist grain and edible oil processing plants taken over to become part of the state-owned economy. Following liberation, a small number of lawless capitalists owners of grain and edible oil processing plants, who disrupted markets and sabotaged support to troops in the frontlines, had their plants confiscated by local military control units following investigation. These also became part of the state-owned economy. State-owned grain and edible oil processing plants were an important foundation for processing the country's grain and oil to supply military needs and food for the civilian population. State ownership placed grain and oil processing directly within the planned economy, making them a reliable force in stabilizing markets. They also accumulated capital for the building of socialism, set an example for the transformation of privately owned plants, and permitted accumulation of experiences in the training of state cadres in administering all firms in the grain and edible oil industries.

The multitude of privately owned plants inherited from the old China were a force not to be overlooked. Acting in the spirit of the 3d Plenary Session of the 7th Party Central Committee, people's governments at all levels carried out readjustment of relations between the public and the private sector, between producers and marketers, and between labor and capital in local privately owned grain and edible oil processing plants, making positive use of their beneficial role for the national economy and the people's livelihood. The main components of these readjustments of relationships were: to carry out a policy of concurrent concern for the interests of both the public and the private sectors, and the interests of both labor and capital, firms collecting

reasonable fees while insuring acceptance of state-grain departments' assigned processing tasks and supervision from personnel sent into plants, thereby enabling normal operations and the making of profit. A small number of grain processing plants that purchased their own raw materials used the volume of market sales as a basis for self-operation in accordance with the processing plans of state-owned grain companies. Capital-short plants that found it genuinely difficult to maintain normal production received support from state loans. Plants having difficulty buying raw materials were looked after through the fair distribution of raw materials among state-owned and privately owned local food and edible oil companies. Plant management committees and plant staff member and worker congresses were set up within plants to uphold the role of the proletariat as masters in their own house in managing production well. All sorts of labor and capital consultative conferences were also organized, and collective agreements between labor and capital were signed that contained specific provisions regarding plant production, labor discipline, and staff member and worker wages and benefits. This formed the basis for initial restructuring of enterprise management to establish rules and regulations beneficial to democratic management and the establishment of orderly production. When some privately owned grain and edible oil processing plants encountered temporary hardships because of the slow turnover of working capital, workers took the initiative in rallying to the aid of the capitalist owners, out of concern for the overall situation, some of them voluntarily taking wage decreases, some of them paying electricity bills out of retroactive payment of wages owed, some of them lowering standards, some of them figuring out ways to increase production while lowering expenditures, and lowering costs in a demonstration of the noble work style of the proletariat as masters in their own house.

The grain and edible oil industry, which had tasted to the full the oppression of the "three big mountains" and was at its last gasp, began to gain new life, making a due contribution to revival of the national economy, and gradually advancing along the broad road of socialism. In 1953, when monopoly purchase and sale was instituted first for grain and then for edible oil, privately owned plants were still in the majority. Take cereal grain as an example. At the end of 1953, 7,121 or 73 percent of the 9,778 plants nationwide, accounting for 45 percent of processing capacity, were privately owned. After institution of monopoly purchase and sales, these plants could neither purchase nor sell anything themselves. All they could do was accept state orders for processing. In addition, the state-set payment standards provided for payments necessary to maintain the livelihood of staff members and workers and for work stoppage losses during slack seasons. Not only were enterprises assured raw materials for production, but they were also assured that they would not lose money from business. Consequently, methods for placing orders for processing spread rapidly.<sup>1</sup> These methods also accelerated the socialist transformation of privately owned plants.

Industrial and commercial administrative units were responsible for the business registration and other administrative work in the total transformation task. Grain and industrial departments worked in conjunction with them through vocational affiliations. During the spring of 1956, all jurisdictions throughout the country completed the task of bringing all firms in the grain and edible oil industry under joint state-private ownership, carrying out some readjustments among the various kinds of economic categories at the same time. The percentage of gross output value produced by grain processing plants in various economic categories nationwide as of the end of 1957 was as follows: state-owned plants, 54.52 percent; local state-owned plants, 5.98 percent; central joint state-private plants, 29.78 percent; local joint-state private plants, 9.27 percent; cooperative-operated plants, 0.38 percent; and privately owned plants, 0.07 percent.

### *III. Gradually Carrying Out Centralized Management*

In September 1952, the Central People's Government decided to establish the Ministry of Grain. In October of the same year, the Finance Commission of the State Council ratified the transfer of grain processing work from the Ministry of Light Industry to the Ministry of Grain. In February 1953, the Finance Commission further mandated the transfer of all grain processing work under industrial departments at all levels of government to the control of grain departments at the same level. In this way, grain departments in all jurisdictions centralized control over state-owned grain processing plants (by March 1960, most edible oil industries were still under industrial departments' control). Since grain and oil processing was a link between the purchase and sale of grain and oil, once grain and oil purchase and sales became a state monopoly, centralized control over grain and oil processing or the making of uniform regulations nationwide became even more the trend of the times. In January 1955, in an effort to increase edible oil production, the Ministry of Light Industry, local departments of industry, the Ministry of Commerce, the Ministry of Grain, and the Supply and Marketing Cooperative Headquarters further spelled out the duties of all units in the coordination of jointly founded agencies for increased edible oil production. In July of the same year, the Ministry of Grain issued a notice calling for a survey of the production capacity of state-owned, cooperative-owned, and joint state-private grain processing plants (or workshops), as well as privately owned processing plants (or workshops) in the individual economy that were registered to do business by industrial and commercial administrative units. This notice also provided methods for reporting changes in grain processing industry production capabilities nationwide. In November, the Ministry of Grain also issued regulations on profits per ton of grain processed to better enable all jurisdictions to formulate payment standards close to the same level, to process grain locally and supply it locally. Objectively, this played a role in protecting medium and small enterprises. In January 1956, the State Council approved

and ratified the Ministry of Grain's report on centralized leadership and control of grain processing enterprises. This provided explicitly that grain processing plants and their administrative organs in the three different economic categories of state-owned, local government-owned, and joint state-private ownership nationwide were to be enterprises under direct control of grain departments. Enterprises in various economic categories that were not yet under the direct control of grain departments also had to submit to the centralized leadership of grain departments. Local government-owned plant equity and central government share equity was to be transferred to state and central government joint public-private ownership. Very small state-owned and local government-owned plants were to be gradually merged in conjunction with the readjustment of production capacity. Depending on circumstances, grain departments should gradually improve the equipment and raise the processing technology of local government-owned processing plants using native methods. In April of the same year, the Ministry of Grain issued a notice about grain processing plants approved for joint state-private ownership. This notice required all jurisdictions "not to change enterprises' production and management systems rashly and within a short period of time. Only after careful study to find out exact details should improvements be undertaken, all fine experiences in existing operating methods being retained and developed." This was a very important notice. It enabled the continuation of the fine experiences that grain enterprises had accumulated through many years of practice; they would not be upset or interrupted. In July of the same year, the Ministry of Grain again ruled that although the state paid a fixed annual rate of interest for all privately-owned enterprises merged into state-owned enterprises, their economic category was to be state-owned enterprise, not joint state-private enterprise.

As a result of the foregoing series of tasks, a socialist grain and edible oil industry was gradually built, and a definite foundation existed for control of all firms.

### *IV. Development of the Socialist Grain and Edible Oil Industries*

Another problem that followed in the wake of the establishment of socialist grain and edible oil industries was how to continue their development to meet needs in building the national economy. Beginning in 1956, a work emphasis began in two regards that was to continue for more than 20 years as follows: First was the updating and transformation of old enterprises. The depreciation rate for fixed assets in the grain and edible oil industry was too low (3 to 4 percent each year), and funds for the specific purposes of updating and transformation were lacking. A complete plant transformation of the multitude of old enterprises could not be carried out. In most cases only a partial updating and transformation was carried out in turn and over a period of time in conjunction with the readjustment of the pattern of plant distribution, improving their technology, and putting them to use in multiple ways. The building of mechanized grain

and edible oil industries to which large amounts of special purpose equipment was supplied after 1958 played a positive role in promoting the updating and transformation of old enterprises. For example, during the 1960's the edible oil industry had Model 200, Model 195 and Model 90 oil pressing machines and associated steaming equipment to replace the old style press. During the 1970's, the further spread of extraction technology fundamentally altered the old edible oil plant technology. With the advent of the 1980's, advanced experiences abroad were drawn on in the gradual transformation and replenishment of oil refining equipment for an improvement of production technology. Along with updating and transformation, some old enterprises steadily expanding their avenues of production, improved their machine building capabilities, and improved their management to meet needs in the developing situation, marked changes occurring in the undiversified products and the backward management that characterized the old enterprises. Second, was the building of some new grain and edible oil processing plants, most notably in the flour industry. In 1952, before the advent of monopoly purchase and sale, the country had a 4.33 million ton flour processing capacity. In 1956, all firms were turned into joint state-private enterprises, and by the end of 1957, flour processing capacity was 6.79 million tons. By the end of 1984, it was 35.85 million tons, 5.3 times the 1957 figure, and 8.3 times the 1953 figure. This meant that in the more than 20 years since the founding of socialist grain and edible oil industries, flour processing capacity increased nearly 30 million tons, a speed of increase such as the old China could not match.

Statistics showed that from 1949 through 1984, more than 1.3 billion yuan was invested in the capital construction of the grain and edible oil industries, or one-third the gross output value of fixed assets in the grain and edible oil industry at the end of 1984. If other sources of funds and local investment during management by industrial units such as special fund allocations, funds obtained through the withholding of profits, and bank loans were figured in, the percentage would be much greater. As a result of the transformation of old enterprises, and the building of new enterprises, substantial changes occurred in the development of grain and edible oil industries. Comparison of 1984 with 1952 showed a two-fold increase in total grain processing capacity, and a 4.2 fold increase in output of processed grain. The gross output value of the grain and edible oil industries increased sixfold, and the annual profit of industrial enterprises under Ministry of Grain jurisdiction increased 75-fold.

## **Section 2. Setting the Grain and Oil Seeds Growing Areas as Main Processing Centers and Readjusting the Industrial Pattern**

### *I. The Proposal of Setting the Grain and Oil Seeds Growing Areas as Main Processing Centers*

Just where the grain and edible oil that the country supplied to cities and towns should be processed, whether in the production area or the marketing area, or whether in cities or rural villages, was a complex problems bearing on the overall distribution of industry. Solution to this problem required both proceeding from realities to make use of existing processing capabilities, and, in long-range terms, consideration to moving and building plants in a quest for economic returns. During the period immediately following liberation, most of the country's grain and edible oil processing capacity was concentrated in coastal cities and at inland transportation hubs. Distribution was uneven within a single province necessitating a readjustment of the distribution pattern. Following the beginning of the First 5-Year Plan, new grain and edible oil processing plants had to be built everywhere because of the development of industry, and increase in the population of cities and towns.

A plan for the layout of plants to be moved and plants to be built was gradually spelled out. In January 1956, the State Council decided that grain processing enterprises would be under centralized leadership and control of the Ministry of Grain. In April, the Ministry of Grain convened a national conference on grain processing to discuss the industrial layout. The conference felt that newly built flour mills should be somewhat concentrated in suburbs and marketing areas. A large amount of rice mills' by-products were used as livestock feed in rural villages, so such mills should be built in suitable dispersed production areas convenient to transportation, only a suitable number built in marketing areas. Existing small plants should be mostly for the purpose of processing grain for the peasants. Large plants should be concentrated in places that processed commodity grain for the country. In September the CPC Central Committee and the State Council issued instructions on the strengthening of production leadership and building organizations in agricultural production cooperatives. This instruction said that "processing of agricultural products should not be overconcentrated in cities because overconcentration would make it impossible to satisfy the peasants' needs for livestock fodder and fertilizer. In addition, this would cause decline in rural village sideline production. Therefore, excess development of processing plants for rice milling, cotton ginning, and oil pressing should be avoided. Except for providing existing processing plants with needed raw materials, every effort should be made to process all other agricultural products in local township and town processing plants, or have them processed in scattered agricultural cooperatives. (The state might also provide raw grain for the peasants to process themselves.) When agricultural products had to be processed in cities, prices for by-products (husks, bran, and oil cake residues) would have to be adjusted, and the return to the producing areas of a certain percentage of by-products." This instruction spelled out a plan for the pattern of grain and edible oil industrial production for the first time since liberation, which was usually capsulized as

"processing mostly in production areas." Since the issue of returning oil cake residues following processing of oil-bearing crops was closely associated with agricultural production, in March 1958 the State Council issued another notice on oil-bearing crop processing, which said that "the policy for establishing oil-bearing crop processing plants should be to spread them around areas in which the raw materials are located. This will make it easier to process oil-bearing crops and to supply oil cake residues locally. Oil-bearing crop processing plants currently located in large- and medium-sized cities should be moved to raw material production areas."

However, since circumstances differed in different parts of the country, deciding just how the term "production area" was to be construed in application required a period of practice. When the Ministry of Grain convened the All-China Grain and Edible Oil Industry Conference in January 1961, a summarization of experiences formed the foundation for stating that "production area processing" connotes the building of processing plants in county seats and market towns in areas that produce grain and oil-bearing crops. In February 1965, the All-China Grain and Edible Oil Industry Conference spelled out clearly the principles for the pattern of distribution of grain and edible oil industries as "processing in production areas that combines procurement and marketing, and that combines medium- and small-sized plants—primarily small ones, that combines storehouses with processing plants, and that combines peacetime and wartime use." In December of the same year, in response to the requirement to prepare for war and for famine, the policy for building grain and edible oil processing plants throughout the country, and the principle to be followed in the pattern of their construction was enunciated as "processing primarily in production areas, the interests of both cities and the countryside, and the interests of both the state and communes given consideration, small in scale and dispersed, and storehouses and processing plants in combination." This proposal enunciated the guiding thought of the need for city and countryside, and state and commune planning as a whole. It represented a major advance over the February proposal. Nevertheless, it did not state explicitly that "small in scale and dispersed" was to include commune and production brigade grain and edible oil processing plants. It could easily be misinterpreted as meaning that all state-owned processing plants should also be mostly small in scale. Following the conference, plants continued to be built in all jurisdictions on the basis of actual needs, economic benefits calculated, and proper sizes set, rather than done mechanically.

Subsequently, all jurisdictions constantly summarized experiences, continuously deepening their understanding. They believed that the principle of considering the pattern of distribution according to the kinds of grain and oil-bearing crops concerned taken together with the procurement and marketing system was realistic. For example, flour processing required a mix of raw materials. Flour had to be produced to multiple quality

standards, and be fresh and tasty for city consumption; thus, processing was best organized in the marketing area. The by-products produced from the processing of paddy into husked rice were used as a source of livestock feed in rural villages. Paddy husks could also be used to produce energy. However, hauling large quantities of paddy between production and marketing areas wasted a lot of transportation; thus, it should be processed in production areas. The use of cotton seeds, rice bran, and corn germ for pressing oil required consideration of how to combine cotton seed ginning, paddy processing, and corn processing. The building of grain and edible oil processing plants to produce grain and edible oil foods and blended livestock feeds required consideration of the processing and use of starch and crude protein. In short, putting into effect the principle of "production area processing primarily" required suiting of general methods to specific circumstances rather than "arbitrary uniformity."

## *II. Readjusting Pattern of Distribution of Grain and Edible Oil Industries*

The pattern of distribution of grain and edible oil industries was readjusted as objective conditions changed in many ways. Examples were: Changes in the kinds of grain grown in agricultural production; changes in transportation capabilities resulting in changes in the direction of flow of commodity grain and edible oil; increases in urban and rural population affecting changes in the purchase and sales situation; and changes brought about by the import-export trade and the allocation and transfer situation, etc. After industry was distributed evenly, changes in these situations necessitated further adjustments to make the pattern of distribution more rational. However, industrial production required both normal external conditions for the supply of raw materials, and relatively stable internal conditions (including an even distribution of equipment, labor organization, and the organic coordination of individual production processes). Too many readjustments would be bad for production management, and would create waste. Many years experience showed concerted action according to a unified plan as best able to coordinate readjustment with relative stability when readjusting the pattern of industrial distribution. The ability of grain and edible oil industries in large- and medium-sized cities to maintain a proper ability to respond to emergencies in order to meet unforeseen changes was also extraordinarily necessary.

Twice during a period of more than 30 years a fairly concerted nationwide readjustment of the pattern of industry had been carried out. The first one was from 1956 through the first half of 1958. According to 1954 statistics, privately owned flour mill processing capacity was concentrated in the seven provinces and cities of Beijing, Tianjin, Shanghai, Shandong, Jiangsu, Sichuan, and Hubei, which accounted for more than 82 percent of the total capacity of privately owned mills. However, the flour processing capacity of the nine cities of Beijing, Tianjin, Shanghai, Harbin, Xian, Wuhan, Wuxi, Jinan,

and Qingdao accounted for 46 percent of total capacity nationwide. In order to maintain production in the Shanghai flour industry, during the 4 year period from July 1949 through June 1953 wheat was transported from Shandong, Jiangsu, and Anhui provinces to Shanghai for processing into wheat flour, and then the flour was transported over long distances to various places in northeast and north China. This process cost the country 87.53 billion yuan (old renminbi) in transportation expenses and price losses, or as much as 3 1/2 years wages for all staff members and workers in the Shanghai flour industry. The situation was similar in rice mills. The processing capacity of rice mills in the four provinces of Jiangsu, Zhejiang, Guangdong, and Sichuan accounted for approximately 60 percent of the total for the whole country. Sichuan Province had surplus production capacity, but capacity was inadequate in the southwestern region as a whole. Rice processing capacity in Guizhou Province was able to satisfy only 31 percent of the province's requirement. In Sichuan Province, approximately 81 percent of machine rice milling capacity was concentrated in a small number of special districts and cities such as Chongqing, Jiangjin, and Wutongqiao. The mills frequently lacked enough work to keep them busy. The state had to assume responsibility for the mills' losses in order to keep them in business; meanwhile there was a serious shortage of processing capacity in other parts of the province. The irrational pattern of edible oil industry distribution was just as glaring. A large amount of oil pressing by native methods was done in county seats, rural villages, and the suburbs of large and medium size cities. Although machine pressing oil plants were superior to workshops that pressed oil using native methods, such plants were located in coastal cities far away from producing areas. This was because of the profits that capitalists had made from the export of edible oil. An example was the 400 ton per day soybean oil extraction plant that Japanese traders built in 1907 at Dalian in Liaoning Province. This plant used soybeans and cheap labor in northeast China to produce edible oil for export to Japan and other countries.

Following monopoly purchase and sale of grain and edible oil, the pattern of distribution of grain and oil industries throughout the country underwent readjustment as a result of the rational distribution of raw materials. Surplus processing capacity in large- and medium-sized cities was cutback, and existing medium and small businesses in producing areas were helped along and transformed. Bringing the entire industry under joint state-private ownership made readjustment of the industrial pattern easier. Some places followed the principle of large enterprises looking after small ones, and advanced enterprises looking after backward ones in an area-wide moving and merging of plants. Some plants moved plants to grain and oil-bearing crop producing areas as part of plans. For example, Tianjin City's wheat flour processing capacity had been more than 40 percent larger than normal sales volume for a long time before liberation. After the introduction of joint state-private

ownership, processing capacity was reduced 15 percent while still retaining large plants having advanced technology, thereby spurring a rise in the average outturn rate of wheat flour mills throughout the city, and reduction of state payment of processing fees. Wuhan City in Hubei Province was not a wheat producing area; yet it had a substantial wheat processing capacity. In 1956, the Fuxin and Shengxin plants were kept, but the No 3 and No 5 Jianxin plants were moved to Huangshi City and Xiaogan Prefecture. The Wufeng plants were moved to the Guangxi-Zhuang Autonomous Region and to Xiangyang County in Hubei; the No 2 Workshop of the Fuxin Plant was moved to Enshi, Huangshi, Qianjiang, and Tongshan; and the Hongxing Plant was moved to Danjiangkou to help build a key project there. Prior to the time when the whole industry came under state-private ownership, Jiangsu Province had 1,181 rice mills, 998 of which were privately owned. Of these, 845, or 85 percent, were concentrated in the four special administrative districts of Suzhou, Songjiang, Nantong, and Yangzhou. Following state-private ownership throughout the industry, they were moved to, or merged with, mills in other provinces, prefectures, cities, and counties. In March 1958, the State Council had the following to say about readjustment of the edible oil industry: "Oil-bearing crop processing equipment in Beijing and Shanghai is to be moved to raw materials producing areas in other provinces and autonomous regions." Problems about the decentralization and centralization of oil-bearing crop processing plants under jurisdiction of individual provinces and autonomous regions are to be handled by people's committees in the individual provinces and autonomous regions themselves." In accordance with this instruction, all jurisdictions throughout the country variously moved edible oil plants in cities in a readjustment of the pattern of their distribution. Most of this activity took place between 1956 and the first half of 1958, but some large scale moves continued into the 1960's. One example was the Fufeng Flour Mill in Shanghai from which the movement of a workshop to Dandong and Chaoyang in Liaoning Province was carried out during 1965 and 1966. This readjustment brought about very great improvement in the situation in which grain and edible oil processing plants were located far away from producing areas, and the unevenness between one area and another in grain and edible oil processing capacity.

The second readjustment occurred during 1961 and 1962. As a result of the "proneness to boasting and exaggeration" during the "Great Leap Forward," agricultural output figures were seriously skewed. This produced a widespread mistaken notion that grain and edible oil processing capacity was not keeping up with output. This problem was compounded by the gradual delegation of authority in the finance, capital construction and labor management systems, which caused a loss of control. For a time, the building of new plants became the order of the day. Large scale construction, the mindless building of plants, a scramble to hire staff

members and workers, and competition for raw materials occurred everywhere. As of the end of 1957, grain departments throughout the country had only 3,200-odd grain processing plants, but by the end of 1960, the total number of processing plants stood at more than 8,900, the number almost tripling suddenly within 3 years. Some plants came into being as a result of changes in the subordination of some enterprises, but a large part of the increase stemmed from the mindless building of plants. As a result, processing capacity far surpassed needs. In addition, staff members and workers assumed job positions without training and testing. This caused a mess in management a general decline in grain and edible oil quality and outturn rates, and an increase in business losses. In January 1961, the CPC Central Committee decided on a policy of national economic "readjustment, consolidation, filling out, and raising standards." On the 25th of the same month, the Ministry of Grain convened the All-China Grain and Edible Oil Industry Conference. Inasmuch as the edible oil industry had been placed under the Ministry's jurisdiction not very long before, the conference emphasized plans for processing oil-bearing crops in production areas, calling on all existing oil plants to continue readjustments according to this plan. In December of the same year, another All-China Grain and Edible Oil Industry Conference was convened that called for readjustments in the form of plant closings, production halts, mergers, and cutbacks in the scale of production in the grain and edible oil industry as a result of having looked at the situation as a whole and having done comprehensive planning. Beginning in 1962, the delegation of management system authority over finance, capital construction, and labor that had been made during the "Great Leap Forward" was taken back by the central government in the centralization of administration and an intensification of control. The All-China Grain and Edible Oil Industry Conference convened in December 1962 conducted a survey of the decrease in the number of enterprises and the staff member and worker reductions in force conducted during 1961 and 1962, simultaneously calling for further dismantling of plants and cutbacks of personnel. Thanks to joint efforts made from top to bottom throughout the country, the chaotic pattern of industry was reversed. This readjustment differed from the first one in that it was carried out in the favorable circumstance of the grain industry throughout the country having been under centralized management by specialized departments for many years, and the edible oil industry having been under centralized control of grain departments beginning in 1960. In general, this readjustment was carried out locally; it did not involve the movement of industries over a wide area. In addition, it was carried out in conjunction with the restructuring of enterprise management; consequently it proceeded fairly rapidly and achieved better results. Nevertheless, as a result of constant changes in the agricultural production situation, and insufficient understanding of the policy of processing primarily in production areas, coordination among individual units in some areas was not entirely harmonious. A small number of small plants located

fairly close to production areas did not receive the support they should have received. In some cases, after their personnel had been sent down to rural villages, small plants had no choice but to discontinue operations. This was a lesson that deserves to be noted.

### *III. Achievements After the Readjustment*

As a result of readjustment, the lopsided pattern of distribution of old China's grain and edible oil industries changed completely. The transformation of old enterprises in conjunction with the building of new ones produced a relatively rational pattern of distribution. The main achievements of this readjustment were as follows:

1. Increase in production area rice and edible oil processing capacity. At the end of 1949, 88 percent of the country's state-owned rice processing capacity was located in county seat cities and below; in principal paddy producing provinces, it was 90 percent. In Guangdong and Sichuan provinces, it was more than 95 percent. Eighty-five percent of the state-owned oil making capacity was located in county seat cities or below; in provinces that produced fairly large amounts of oil-bearing crops, it was 88 percent. If the oil making capacity cities retained to press oil from soybeans, rice bran, and corn germ were subtracted, the percentage of oil-making capacity located in production areas was even greater. The increase in production area processing capacity increased local availability of livestock feed and fertilizer, which helped promote development of the livestock industry and agricultural production.
2. Greater ability to meet changes in both kinds of grain and oil-bearing crop varieties supplied, and urban development. After 1980, more than half of the country's output of processed grain was in the form of processed wheat flour, showing a rapid increase in the percentage of flour used as a staple in the diet of city and town residents. For several years thereafter, city flour processing capacity increased rapidly. As of the end of 1984, approximately 34 percent of the state-owned flour processing capacity was located in large and medium size cities, and the trend was toward increase. After 1966, the major industrial base cities in Liaoning Province, which had always relied on either shipments from south of the Great Wall or on flour substitutes, strove to develop wheat flour industries. They improved their technical plant, and phased out the old large steel grinders for gradual realization of self-sufficiency in processing. In southern areas where rice was a diet staple, large- and medium-sized cities expanded their wheat flour processing capabilities as a result of the increased supply of flour. In response to the increased demand for refined wheat flour, quite a few cities revived the production of different grades of flour.

The location of grain and edible oil industries within cities also tended to become more rational, thereby reducing the amount of hauling back and forth within cities. When deciding the size and location of new plants,

as well as to meet the requirements for changes in economic development, city plans were taken into account.

3. As the grain and edible oil food industries developed, more and more combination plants for grain and edible oil processing and food production appeared. This opened new avenues for moving from undiversified production toward integrated operations.

4. Support for agricultural production. Grain and edible oil industries made use of favorable conditions in the form of a fairly large number of multi-level production and network outlet points in production areas for the regular development of industries that fostered township and town enterprises and assisted agricultural production. Examples included the following: Township and town installation and repair of grain and edible oil processing equipment; training of technical workers and organization of the exchange of technical experiences on the grinding, rolling, and drawing techniques used in grinding flour; and processing or exchanging grain and oil for the peasants in places where there was a shortage of processing equipment, or during seasons when labor was in short supply, etc. In 1963, the Ministry of Grain made another unified statement on matters related to doing processing for the peasants as follows: Processing of grain and oil was to be limited to amounts needed for the personal consumption of the masses; no processing was to be done for the peasants during edible oil monopoly purchase periods; exchange rates were to be based on quality; the state was to make a slight profit; the state was to incur no loss of grain; processing on behalf of the peasants was to be part of unified commune and brigade plans for development of grain and edible oil processing plants, guarding against mutual competition and contention. These regulations were distilled from practice. They included many forms of exchange. In some cases, exchanges were made at plants; in other cases, rural grain stations or specialized households set up points where exchanges could be made; in still other cases, people were sent from door to door to provide service; and sometimes, plant storage capacity permitting, plants exchanged processed grain or oil for raw grain, or oil bearing crops that the plant stored for the masses at their own request. Since the state-owned plants scrupulously guarded their reputation, accommodating and benefiting the people, the masses greatly welcomed them, and exchanges gradually came to be the main way in which processing was done for the peasants.

### **Section 3. Producing According to Sales, Popularizing Advanced Technology and Expanding the Production Sphere**

The country's grain and edible oil industries always conducted all production activities in light of grain and edible oil purchase and sales requirements. At the time of the rational readjustment of the distribution of industry following completion of the transformation of privately owned industry and commerce, advanced techniques were popularized for the gradual shaping of a

distinctive processing technology. In addition the production sphere was steadily expanded, multiple uses of by-products and the food industry being developed.

#### *1. Basing Production on Sales and Properly Relax the Control over the Fineness of Finished Grain and Oil Products*

1. In view of the monopoly purchase and sale of grain and oil-bearing crops, grain and edible oil processing was done with a view to serving the people, and production activities were planned by setting production on the basis of sales. The grain and oil-bearing crops that grain and edible oil plants processed, and how much grain and oil they processed were determined by the kinds of raw materials in storage, the amounts, and local markets at that time. In addition, the processing of oil-bearing crops had to take into consideration the need to return cake residues to rural villages for use as fertilizer in certain seasons. The close connection between grain and edible oil processing and purchases and sales, ease in dovetailing planning, assured markets, and no accumulations in inventory had many genuine advantages. In accordance with the principle of setting production on the basis of sales, the All-China Grain Processing Conference, which the Chinese Grain Company convened during July and August 1950, formulated a balanced plan for nationwide flour production and sales for the period June 1950 through May 1951. At the same time, it decided to set up combined grain purchasing committees for the combined purchasing of wheat under leadership of industrial and commercial departments in all large and medium size cities. This was a precursor to the tying together of various forms of grain processing and the supply of raw materials of all jurisdictions throughout the country, and the dovetailing of planning. Nevertheless, when this method of operation encountered a shortage of market supply, inconsistent availability of raw materials, and many changes in varieties, grain and edible oil processing often sank into a passive situation of frequent changes in machinery and rush processing. Such a situation existed in varying degrees in many places throughout the country, particularly areas receiving deliveries from elsewhere. It was particularly prominent in Liaoning Province. Liaoning Province was the country's heavy industry base. It depended on deliveries of grain, local wheat being in rather short supply. The masses there consumed mostly sorghum, corn, and millet. Approximately 65 percent of all grain processed was of these three kinds. Because of the masses' preferences, the percentage of husked sorghum, millet, and cornmeal (or corn flour) processed was substantial. During the 3-year period of economic hardships, in order to even out supply and demand for grain, and produce a little more finished grain, corn was "flourized" for a while, which is to say, more corn flour with a fairly high outturn rate was produced to substitute for cornmeal having a lower outturn rate. The large steel grinders needed as processing equipment to do this began to be developed. The amount of processing of wheat brought in from elsewhere increased suddenly



between 1961 and 1966. Large numbers of large steel grinders were manufactured and used as part of the processing equipment used to process the rather coarse quality whole wheat flour found throughout the province. As the grain situation changed after 1967, "flour-izing" came to a halt and the large scale processing of various kinds of cereal grains began. In particular, the amount of processing of the newly developed hybrid husked sorghum increased very rapidly, rising abruptly from 150,000 tons in 1967 to 935,000 tons in 1976, surpassing the all time highest output of whole wheat flour in the province. Consequently, great efforts had to be made to increase the amount of sorghum processing equipment and to readjust the technology used. Consequently, the large steel grinders lay virtually idle. After 1977, the amount of processing of standard wheat flour throughout the province increased with each passing year, and the processing of husked sorghum showed a decline. In 1978, the processing of standard flour accounted for more than 55 percent of the total volume of grain processed throughout the province. This continued until 1980. In order to meet the changes during this period, sorghum processing capacity was reduced year by year in a change toward vigorous development of standard flour processing capacity. In some places, corn-related product workshops were converted to workshops for the processing of flour. In some places, some plants and workshops for the processing of different kinds of flour were enlarged. At the same time, roller grinding was developed and large steel grinders were gradually phased out. By 1984, more new changes occurred when marked demand for best quality flour increased suddenly. During this single year, output of best quality flour doubled, accounting for 33 percent of the total amount of flour processed. Thus, the equipment and technology used formerly for the processing of standard flour was no longer suitable. Readjustments had to be made at once, and some new flour mills built. The foregoing situation showed that as a result of many changes in the kinds of grain supplied during the 26 year period from 1959 through 1984, sometimes strenuous efforts were made to get flour mills into operation and to close down cereal grain plants, while at other times, cereal grain plants had to hurry to get going as flour mills suddenly shut down. A passive state of haste and disorderliness regularly prevailed causing the province to pay more than 10 million yuan yearly in work stoppage maintenance costs. Inside processing plants, machinery was regularly disassembled, and equipment jury-rigged. Staff members and workers suffered hardships, scheduling was hectic, and regular repair and maintenance was neglected, accelerating the aging of equipment. It was also difficult to carry out planned technical transformation or to insure full fulfillment of all economic and technical norms, much less a rational pattern of distribution and relative stability. Large- and medium-sized cities throughout the province wanted processing equipment that could handle both cereal grain and flour processing and several kinds of technical equipment.

This meant a processing capacity almost double the amount of grain supply in order to be able to meet emergencies.

2. Control of processing fineness, and correct handling of the relationship among quality, quantity, and outturn rate as the grain and edible oil situation warranted.

The production policy of grain and edible oil industries followed was appropriate increase in per unit yields and efforts to increase outturn rates while maintaining product quality. When conflicts arose among quality, quantity, and outturn rate during the production process, the outturn rate had to give way to quality, which is to say "fix the rate on the basis of quality." One could not sweepingly suppose, with disregard for the quality of the raw material and the finished product, that the more processed product the better per 100 jin of raw materials or oil-bearing crops.

Grain and edible oil quality included both purity and fineness. For more than 30 years, the edible oil industry had always held improvement of purity to be a major criterion for quality. It strove to improve purity in order to insure the health of consumers. Fineness depended on the grain and oil-bearing crop supply and demand situation. Generally speaking, when grain and oil-bearing crops were in short supply, fineness was appropriately controlled in order to be able to process more grain and oil from an equal amount of raw materials to help equitable distribution. When the conflict between supply and demand for grain and edible oil eased, and the masses demanded a rise in the level of consumption, fineness was increased appropriately.

In areas under control of the Kuomintang regime in old China, when the broad masses of people lived a life of semi-starvation, highly refined wheat flour and edible oil of many grades was sold in a small number of large- and medium-sized cities. This showed the lopsidedly unfair level of consumption in the old China. After liberation, the people's government gradually instituted fair distribution of grain and oil throughout the country to insure basic needs, and it uniformly lowered processing fineness. Later on, as the grain and oil situation took a turn for the better, it appropriately removed controls on processing fineness and increased the number of grades available. The process of going from control over fineness to appropriate relaxation of controls over fineness showed that with the steady development of production of grain and oil-bearing crops in socialist China, a corresponding general improvement occurred in the standard of living of the broad masses of people. This formed a sharp contrast to the lopsided consumption situation in the old China where a small number of people enjoyed grain and edible oil of extremely high fineness.

A shortening of this process of change occurred on 24 March 1950 when the 25th State Council political affairs meeting passed "Issuance of Decisions on Changing Grain Processing Standards To Increase Edible Grain."



This required rice mills to insure at least 92 jin of edible rice per 100 jin of brown rice (commonly termed "92 rice"), and for flour mills to insure at least 81 jin of flour per 100 jin of wheat (commonly termed "81 flour"), a complete halt of the sale of fine rice and fine flour, and the sale of rice flour of only fairly low fineness, as well as the standardization of processed grain insofar as possible. However, the sale of below-standard rice and flour was permitted. Enforcement of this decision allowed a large increase in finished grain while insuring no decline in the principal nutritional components of grain. It was a major policy decision for easing the conflict between production and sales at that time. For example, Shanghai, which was the first to have "81 flour," was able to save 6,832 dan or the production of 12,577 bags (44 jin per bag) of flour daily calculated in terms of the fineness and outturn rate of the Shanghai Municipal Grain Company's Fuxin No 3 mill, which went into mass production in September 1949. This meant an annual savings of 2.05 million dan or production of 3.77 million more bags of flour each year. The figures were even more impressive for the country as a whole. In addition, control of fineness at that time objectively prevented a small number of privately owned large coastal enterprises from monopolizing the fine flour market. It prevented them from continuing to sell fine flour in far away inland areas, from controlling markets, and from squeezing out other firms, thereby protecting the existence and development of medium-sized and small inland enterprises. This created favorable conditions for subsequent nationwide implementation of monopoly sales, the long distance allocation and transfer of raw grain, and rational readjustment of the pattern of industry. However, both the "92 rice" and the "81 flour" regulations of that time had a flaw, namely that in setting specifications and quality for raw materials and finished product, 92 jin of white rice was to be produced no matter whether the brown rice used was good or bad. No matter the quality of wheat, 81 jin of flour were to be processed from it. This produced a situation of market sale of rice and flour of uneven quality, and of unequal value for equal price. Following investigation and study, during the last half of 1953 the Ministry of Grain drew up general quality standards for rice and wheat flour in accordance with the principle of "setting rate on the basis of quality," under the guiding thought of simultaneous concern for nutrition, taste, and economizing. In December of the same year, this was formally announced for application throughout the country. It was commonly known as "standard rice," and "standard flour." In order to provide for medical treatment, industrial, and other special needs, provinces and municipalities were permitted to authorize the production of a certain quantity of specially processed rice and specially processed flour in designated mills. In July 1956, the State Council provided a written reply to the Ministry of Grain which said that the total amount of special rice processed should be held at approximately 10 percent of the total amount of process rice, and the total amount of special wheat flour processed should be held at approximately 15 percent of the total amount of flour processed. This

pretty well controlled the percentage of fine rice and fine flour processed in all jurisdictions.

In order to have uniform quality standards for the transfer and allocation among all provinces, autonomous regions, and municipalities under direct central government jurisdiction throughout the country, in 1957 the Ministry of Grain began to rate the fineness of rice and wheat flour samples from all around the country. This formally took effect on 1 January 1958. In September 1962, uniform regulations were again prepared for rice and wheat flour quality standards to be used in the allocation and transfer of grain between one province and another. For edible vegetable oil, the quality standards formulated on 1 March 1957 by the former Ministry of Foods for five kinds of vegetable oil (soybean oil, peanut oil, sesame oil, rapeseed oil, and cottonseed oil) continued in force. Standards for grain and oil sold within a province continued to be set by individual provinces. (Fineness standards for export rice were set jointly by the Ministry of Grain and the Ministry of Foreign Trade in October 1959. They included three grades, namely special first grade, special second grade, and standard first grade). In accordance with the principle of "setting production on the basis of sales," the above finenesses were the finenesses for processed grain and edible oil. In December 1963, the Ministry of Grain announced standards called "ministry standards" for the allocation and transfer between provinces of rice, wheat flour, and edible vegetable oil. Rice was graded special first grade, special second grade, standard first grade, standard second grade, and standard third grade. Wheat flour was graded special flour, standard flour, common flour, and whole wheat flour. Quality standards continued to be enforced without change for five different kinds of oil, namely soybean oil, peanut oil, sesame oil, rapeseed oil, and cottonseed oil. In January 1978, rice standards were changed to special grade, standard first grade, standard second grade, and standard third grade. Standards for wheat flour were changed to special flour, standard flour, and common flour. They were termed "national standards" by the National Bureau of Standards. In April 1979, peanut oil, soybean oil, and rapeseed oil were divided into first and second grade. These grades, as well as those for refined cotton seed oil were termed "national standards." The grain and oil supplied everywhere as a ration was generally second grade rice, standard flour, and second grade oil. Some cities also produced "whiter flour," and "construction flour" having a fineness between that of "special flour" and "standard flour." Some provinces set various grades below second grade rice for flexibility in control.

The very great changes that occurred in agricultural production throughout the country following the 3d Plenary Session of the 11th Party Central Committee, the increase in grain and edible oil raw materials, and the rapid development of the food industry necessitated that grain and oil of somewhat higher quality be provided. In order to meet the new situation, production of fine rice and fine flour was suitably expanded. In 1984, output of

special flour nationwide increased 3.8-fold over 1978. If the whiter flour of a quality higher than standard flour were added in, 18 percent of total flour output was special flour and whiter flour in 1984. A small number of coastal cities having a higher level of consumption also produced various kinds of fine flour having a fineness higher than special flour, thereby becoming more suitable to meet market demand. In 1984 output of special flour throughout the country was double the 1983 amount. If standard first grade were also added in, output of special rice and standard first grade rice accounted for 30 percent of gross output in 1983, increasing to 54 percent in 1984. Output of salad oil increased fastest of all the edible vegetable oils shooting up from only 612 tons nationwide in 1982 to 9,271 tons in 1983, and increasing again to 28,212 tons in 1984 in a 45-fold increase within a 2 year period. Increased outputs of fine rice and fine flour also help increase enterprises' economic returns. Calculations showed a 31.50 and 58.10 yuan income increase respectively for each ton of wheat processed into whiter flour or special flour rather than into standard flour. For each ton of paddy processed into standard first grade or special rice rather than standard second grade rice, the increase in income was respectively 6.20 and 57.40 yuan more. This increase could be used to offset a part of the differential price subsidy for grain, reducing the state's financial burden.

One new contradiction was that fine rice and fine flour processing capabilities, and fine oil refining capabilities were woefully inadequate. Some old enterprises that had produced standard flour and standard second grade rice for a long period of time had to improve their technology and add equipment, as well as provide necessary technical training in order to manage the new technology. Some also had to establish a new operating psychology and operating style geared to markets and consumption.

## *II. Building Production Technology Suited to the Chinese National Conditions*

A conflict between production and demand for grain and edible oil has existed in China for a long time. Requirements for fineness of grain and edible oil products were generally not high, nor was there a need to upgrade products. Considerable attention was focused on improving outturn rates, increasing supplies of end product grain and oil for distribution while insuring quality. When shortages of supply occurred, grain and edible oil processing plants had to work to increase output (usually by increasing yield per machine hour, meaning per unit yield, as a means of increasing gross output) in order to fulfill pressing and processing quotas. Objectively, this produced a production technology that was distinctive to the grain and oil industries whose economics of technology norms were not entirely the same as in other countries. Take the flour industry, for example, in which the flour went through a shorter process than in foreign countries. Using the same amount of equipment, per unit yields calculated in terms of the length of time of roller contact were between 2 and

2.7 times higher in China than in technologically advanced countries. Because of the different quality requirements for flour in China, the flour outturn rate per 100 jin of wheat was much higher than in foreign countries. However, were existing technology to be used to produce flour similar to that produced abroad, the outturn rate would be lower than in foreign countries. Were a change to be made to a number of processes similar to those used in foreign countries, processing capacity would have to be increased, and electricity consumption per ton of flour would also increase greatly. Another example was the rice milling industry from which China usually supplied standard grade 2 rice. In processing various kinds of paddy, China permitted a 15 to 35 percent broken rice rate (foreign countries usually require less than 5 percent); consequently the technological process was shorter. China used "one machine to turn out all grades of rice" for a long time. No special equipment was used to turn out different grades of white rice and select rice. The same situation existed in the edible oil industry. For a long time, China produced relatively low quality second grade oil for domestic supply, and some places even supplied unhydrolized crude oil because of the rudimentary equipment, shortage of supply, and lack of supervision of production. Oil refining technology has long been in a backward state.

After liberation, the grain and edible oil industries summarized and promoted some workable technical experiences based on China's distinctive circumstances. For example, in 1951 the Beijing flour industry began to use the "forward road flour production method."<sup>2</sup> After verification and summarization, in 1952 the Central Finance Commission notified all jurisdictions to extend the use of this method as their local circumstances permitted. After the spread of this method, flour mills' daily output in terms of roller contact time increased from approximately 4 more bags (44 jin each) before liberation to between 7 and 8 bags (50 jin each) more. This was more than 1 percent increase in flour output rate, and production costs fell between 30 and 40 percent. During the next 30 years or more, every mill continued to develop and improve this method to one degree or another. Another example was the rice milling industry in which abrasive roller milling machines were promoted to replace steel cylinder milling machines in order to reduce the rice breakage and increase the rice outturn rate. In the edible oil industry realm, in October 1954 the Ministry of Light Industry, provincial and autonomous region departments of industry, the All-China Confederation of Trade Unions, the Light Industry Trade Union Working Committee, and the Supply and Marketing Cooperative Headquarters jointly convened the All-China Conference For the Exchange of Advanced Experiences in the Oil Industry in Beijing. This conference called on the whole country to apply the Li Chuanjiang [2621 1557 3068] oil pressing method mostly for the purpose of increasing the oil outturn rate.<sup>3</sup> This method played a role in spurring increased oil output throughout the country. Subsequently, the

increase in oil outturn rate formed the basis for the updating of equipment and the reform of technology, particularly promotion of the extraction method of producing oil, which developed very rapidly after 1971.<sup>4</sup> As of the end of 1984, oil extraction capacity accounted for 20 percent of total oil-bearing crop processing capacity. Oil plants in Shanghai City were first to use extraction, and Zhejiang, Jilin, Jiangsu, and Liaoning provinces accounted for a fairly large percent of its use. Spurred on by the state-owned economy, some township and town enterprises in counties of Sichuan and Shandong provinces also built advanced oil extraction plants. In the course of promoting extraction technology, failure of management to keep pace resulted in some accidents, and not very high oil quality for a time. In addition, not enough attention was given to publicizing how to use the bean residues as livestock feed. In September 1974, the Ministry of Commerce convened the All-China Conference For Exchange of Technical Experiences in Grain and Oil Processing at Xinxiang City in Henan Province. After analyzing and summarizing existing problems at this conference, extraction technology showed healthy development very rapidly. The further study of advanced foreign technology spurred further improvements in extraction technology after 1979. The 1958 summarization of the management principle of "main emphasis on tight sealing accompanied by good ventilation in conjunction with cleaning" raised the level of workshop health. All of the city and town native-style milling, grinding, and crushing operations inherited from the period before liberation were phased out after many years of renovation and transformation by state-owned enterprises to be replaced by mechanized and semi-mechanized equipment.

With the policy of opening to the outside world, and domestic invigoration, the implementation of policies, and the development of the good industry, all the incongruities created over many years among grain and edible oil processing technology, equipment, and real needs became increasingly conspicuous. In May 1983, the Ministry of Commerce convened a national grain and edible oil industry working conference at Rongcheng County in Shandong Province to study technical policies and the direction of development of the grain and edible oil industries. The gist of this study was as follows: 1) Gradual adoption of high efficiency, low energy consumption industrial boilers and ventilating and dust elimination equipment. Granular materials to be transported mechanically, and powdered materials to be transported pneumatically or mechanically in order to reduce the expenditure of energy. 2) Active control of the "three wastes": (waste gas, waste water, and waste industrial residues). Workshop noise should not exceed state-set standards. 3) The rice milling industry should perfect cleaning technology, process rice of high fineness, reduce broken rice kernels, and gradually shift from "a single machine producing rice of different grades" to "light milling by many machines," phasing out the milling method of producing "rice from paddy" in a single process. 4) The wheat flour industry should perfect

wheat cleaning technology and equipment. Dry method cleaning and secondary water application, as well as wheat dampening and sifting, and lengthening of the flour processing line were recommended. Places having the facilities should produce special purpose flour. 5) The edible oil industry should continue to develop extraction technology, economic and technical standards such as residual oil in dry residues, solvent consumption, and vapor consumption generally approaching or reaching advanced international standards. It should promote continuous refining equipment that permits the removal of four or five undesirable characteristics (through degumming, deacidification, dewaxing, decoloring, and deodorizing) so that oil would not smoke or have a strange taste when used for cooking. New achievements were to be made in the use of complete mechanization to replace hand operations in the processing of sesame oil in small grinding mills, and so on. Meeting these needs would bring about a substantial transformation of the grain and edible oil industries.

### *III. Development of Multiple Uses For Byproducts of Grain and Edible Oil Processing*

Making full use of resources, developing processing in depth, increasing social wealth, and seeking optimum economic returns are important components of industrial production, and they are also important criteria for judging how well production is managed.

The reason that all organizations interested in increasing edible oil output promoted the cold pressing of soybeans to extract edible oil, and applied experiences in using bean cake residues to make beancurd during the period around 1956 was to increase yields of edible oil; thus, it ranked as an important way in which to open up sources of oil. It was in 1958 that grain departments proposed multiple uses of byproducts from grain and edible oil processing. At that time, the number of varieties was small, and technology was rudimentary. In addition to making use of bran and paddy husks to produce hog feed consisting of 40 to 70 percent hull meal and the rest rice bran, a small amount of oil residues was used to produce soap, and the husks of oil-bearing crops were used to produce chemical industry raw materials such as furfural and activated carbon. Because of the shortage of supply of grain during 1959 and 1960, for a time the extraction of starch to produce various substitute products and nonstaple foods received emphasis. According to statistics from the January 1961 All-China Grain and Edible Oil Industry Conference, multiple use product output value in 1920 was more than twice again as much as in 1959. The workshops that produced these products were usually inside grain and edible oil processing plants. They were close to raw materials, thus requiring less transportation, and the workforce could be assigned to work on them between the slack and the busy season, which were great advantages. Nevertheless, the main task of grain and edible oil processing plants was to produce finished grain and edible oil for state commodity sales to assure market supplies. This made it necessary to guard against a tendency to pursue output

value and profit alone to the neglect of grain and edible oil processing. For this reason, in 1961 the principle was enunciated of the need to uphold the "three concerns" (concern for funds, materials, and labor). In view of the ever increasing different kinds of products, particularly the increase in oil residues and oil cake following centralized management of the edible oil industry, avenues for making use of them increased. Usually such products were processed by the enterprises themselves. They directly entered market regulation or were purchased by units in charge. Consequently, producing plants were very interested in them, and paid close attention to information about them. They developed rapidly, and their production continued even during the 10 years of turmoil. In September 1978, the Ministry of Commerce convened a conference to exchange experiences in multiple uses of byproducts from the processing of grain and edible oil at Dalian in Liaoning Province. This conference classified under five categories the 40-odd multiple use products that 22 provinces, autonomous regions, and municipalities under direct central government jurisdiction produced in 1977 as follows: agricultural products (fertilizer, and agricultural nucleotide); foods (white spirits, malt sugar, soy sauce, monosodium glutamate, and phosphate); pharmaceuticals (oryzanol, guggulun [6253 0942 6815] [probably a steroid], inositol, linoleic acid pills, and blood coagulation tablets [xueningpian 5877 1337 3651]; chemical products (furfuryl resin, stearic acid, and potassium carbonate); and other (soap and livestock feed). Output value for the year totaled more than 200 million yuan for a profit of 48 million yuan. The conference cited the necessity of finding raw materials, funds, and markets for the development of new products, and it proposed some technical policies of pertinence. In this regard, it stressed the need to use rice bran cake only a certain number of times rather than over and over again so that the livestock feed made from it would have nutritional value. The use of oil residues should be expanded even while improving the crude oil refining rate. In making multiple use of the oil residues, direct use of the raw oil as a raw material, or increasing the amount of oil left in the oil residues were to be avoided because that would mean less oil available for distribution, and so on.

In the work of using by products of grain and oil processing in multiple ways, one matter requiring separate treatment was the pressing of oil from rice bran and corn germ. After liberation, a slow and tortuous road was followed in making multiple use of these two byproducts. Yields were sometimes high and sometime low, or they wavered for a long time. It was not until 1977 that consistently high yields began.

As early as the 1940's, the Junliangcheng Rice Mill in Tianjin experimented with the pressing of oil from rice bran. After liberation, oil plants in Fujian and Zhejiang provinces also tried to produce rice bran oil. In 1954, a committee to increase output of edible oil nationwide

was set up, which constantly encouraged the pressing of oil from rice bran as a means of opening up new sources of oil. In June 1955, the Ministry of Grain and the Ministry of Commerce called upon all jurisdictions to conduct further experimental research on the pressing of oil from rice bran. During the latter part of August in the same year, the Ministry of Light Industry, the Ministry of Public Security, the Ministry of Commerce, the Ministry of Grain, the Light Industry Trade Union, and the National Supply and Marketing Cooperatives Headquarters jointly convened the Second All-China Edible Oil Conference, which unanimously endorsed the pressing of oil from rice bran. In September of that year, provincial departments of industry also proposed an all out application of this technique to large and medium size cities. Yields remained inconsistent, however, as a result of the less than full consensus among all parties concerned about carrying out this work, as well as the lack of vigorous action in carrying it out. The All-China Conference For Exchange of Experiences in Increasing Edible Oil Output, which the Ministry of Commerce convened at Changshan in Hunan Province during 1972, decided to make the pressing of oil from rice bran a part of state plan. It listed special norms to remain in effect for 1 year, a review to be conducted at the end of the year. In order to encourage the enthusiasm for production of grassroots level enterprises, this conference also decided that rice bran oil output within plan could be divided up level by level, individual jurisdictions themselves deciding the use of all oil produced in excess of quota. In 1976, the Ministry of Commerce also notified all jurisdictions that increases in supplies of grain for making livestock feed would be permitted to make up for decreases in livestock feed resulting from the pressing of oil from rice bran, such grain being made a part of grain sales plan. Once these provisions were instituted, rice bran oil production picked up greatly. Nevertheless, a conflict existed between the pressing of oil from new rice bran and the seasonal processing of other oil-bearing crops that required an increase in processing capacity. Thanks to vigorous support from the State Statistical Commission and the Ministry of Finance, 80 million yuan was earmarked for the development of rice bran oil pressing and corn germ oil pressing during the 4-year period 1977 through 1980. During this period, grain departments produced and supplied large quantities of oil pressing machinery, and they held several conferences on the allocation of this machinery at Qionghang in Jiangsu Province, Mudanjiang in Heilongjiang Province, and Nanning in the Guangxi-Zhuang Autonomous Region. A new situation of consistent rise occurred in the output of rice bran oil and corn germ oil. During the 7- year period from 1977 through 1984, more than 1.3 billion jin of rice bran oil and corn germ oil was produced nationwide. This amounted to more than 1 year's supply of oil to cities and towns, making it truly a source of oil not to be ignored. At the same time, each ton of rice bran used in multiple ways increased output value more than 10 times over for marked economic returns.

#### *IV. Rapid Growth of Cereal Grain and Edible Oil Foodstuff Production*

Following the 3d Plenary Session of the 11th Party Central Committee, marked changes occurred in agricultural production; rural economic diversification and domestic tourism developed further, and the people in cities and the countryside increasingly demanded a rise in food consumption. During 1981, cadres in charge in the CPC Central Committee and the State Council repeatedly emphasized the need for further development of the food industry during the period of readjustment of the national economy. They wanted to shape a distinctively Chinese food industry related to the dietary habits of the masses and the study of traditional foods. They also noted that grain departments should be more functionally diversified. They should have a business sense, and they should work together with the food industry to enliven business. In October of the same year, the All-China Grain Work Conference studied problems in doing business in cereal grain and edible oil foodstuffs. The conference concluded that a very great potential existed for grain departments to develop food production. They would have to make full use of available resources, and they would have to organize production of foods requiring the use of grain and edible oil that the market urgently needed. In terms of the country as a whole, mostly popular foods in great demand should be produced, as well as distinctive local and ethnic foods, and traditional specialties. Attention should also be given to the development of foods of intermediate and high quality. Centralized production in factories and decentralized marketing in grain shops might be done, or factories might set up their own retail outlets to sell what they produce, coming in direct contact with consumers. City and town grain shops should be located at many sites over a wide area to accommodate the masses. Active efforts should be made to set up retail shops in the front and production plants in the rear to produce rich and varied new kinds of foods. Premium prices should be paid for premium quality grain, edible oil, and foodstuffs, prices being set on the basis of quality, allowing a fair profit. Once these policies and principles were set, grain department's food production and food businesses prospered and developed rapidly. By the end of 1984, grain departments nationwide already had 711 independently accounting grain, edible oil, and food plants together with 5,688 affiliated workshops making vermicelli, bread, pastries, beverages, and beer within grain and edible oil processing plants. They produced a total of 1.73 million tons of grain, edible oil, and foodstuffs, 930,000 tons more than in 1980, which is to say that grain and edible oil foodstuff production more than doubled within 4 years.

Grain and edible oil foodstuffs were differentiated in terms of raw materials and final products. They included wheat products (machine made noodles, vermicelli, steamed buns, quick noodles, crackers, bread, and macaroni), wheat products (dry and moist rice flour and New Year's cake), miscellaneous grain products (corn flour

noodles, puffed flour, oatmeal, foodstuffs made from potatoes, and cornmeal), starch products (bean starch vermicelli, and noodles made from bean or sweet potato starch), condiments (monosodium glutamate, soy sauce, vinegar, and sauces), edible oil products (salad oil, margarine, and cheese oil), vegetable protein products and various kinds of bean products, alcoholic and other beverages, starch sugar, and snacks (pastries, biscuits, various kinds of cakes and sweetmeats, and fried foods). Some of these products were raw and others were cooked; some were sweet and some were salty. Some could be consumed directly, and others were important supplements to highly refined foodstuffs. They were able both to satisfy mass consumption needs, and enable centralized control over grain and edible oil raw materials and finished products, reduce the number of middlemen, and increase both economic and social benefits.

Mass foodstuffs had a broad appeal. They helped bring about a shift toward supplying grain rations in the form of finished or semi-finished goods rather than raw grain, and they helped conserve energy and labor; consequently, they were most welcome. In 1984, just the vermicelli, bread, and crackers that grain and edible oil enterprises produced accounted for 71.7 percent of grain and edible oil foodstuffs output. These finished wheat products used more than 5 percent of the total wheat flour output, the percentage being greater in large cities and in southern regions. Among mass foodstuffs, the rise of fast noodles (also called convenience noodles) was an inevitable trend. The May 1981 All-China Grain Department Conference for the Exchange of Experiences on Convenience Food Production, which the Ministry of Grain convened in Guangzhou, discussed and formulated "Technical Requirements of Vermicelli Production Technology," "Cracker Production Technological Processes and Technical Requirements," and "Health Requirements for Wheat Flour Products," which played an important role in spurring production and improving quality of wheat products. In 1981, grain departments nationwide produced only 287 tons of fast noodles (10,000 2 liang packages per ton). This output increased to 4,052 tons in 1982, to 8,602 tons in 1983, and to 14,594 tons in 1984, or 50 times the 1981 output. The speed of development was outstanding. Convenience foods produced in Guangdong and Fujian provinces were of numerous kinds having a strong local flavor. Some traditional foods were shipped for sale in Hong Kong and Macao. They became part of the daily fare of Chinese residing abroad, or family treasures held in reserve for special occasions.

Simultaneous with development of mass foods was the beginning of large scale production and specialized production of high and intermediate quality foods, as well as the steady opening up of new production fields and an increase in new varieties. Not only did this meet market consumption needs, but it also spurred grain and edible oil industries to improve their equipment and technology to increase production of grain and edible oil products of rather high quality. Production of reprocessed edible oil products, premium quality condiments,

vegetable protein, and fruit and grape syrups was particularly noteworthy. Some grain and edible oil research units successfully developed nutriment and food additives using grain as a raw material, such as the use of wheat germ to make wheat germ foods. They used vegetable protein from soybeans and peanuts in the production of amino acid products, and in the making of bread, noodles, and sausages. To the soybean protein was added the right amount of phosphatide to produce bean milk to make cold beverages. These events showed the richness and variety of grain and edible oil foodstuffs, and the extremely broad prospects for their development.

Grain and edible oil foodstuff production and marketing required cooperation and coordination in order to keep the food fresh and tasty, and to accommodate the masses. Factory production was characterized by a generally fairly large scale, fairly high mechanization, large quantity production, product suitability for marketing in distant places and movement elsewhere, and convenience in carrying out scientific research, trial production, testing, and management as industrial enterprises. Medium and small scale production in a plant at the rear with a shop in the front was even more practical, and some plants processed products in the rear, selling them in a shop in the front. Others centralized production in centrally located workshops, and marketed products over a wide area. This form of mostly medium and small scale production was flexible, and particularly suited to the production and sale of snack foods and prepared foods. Its advantages were as follows: 1) Little investment and quick results. Production could begin after 1 to 2 months of construction, and the investment could be recovered within one-half to approximately 1 year. 2) Direct dealings with consumers, responsiveness to information feedback since "small boats can be turned around quickly," great adaptability, producing readily marketable products at any time in response to market demand. 3) Small scale production with very few personnel not engaged in production, good economic returns, and ability to place a number of unemployed people. 4) The large number of grain shop business sites over a wide area offered great convenience to the public. The masses particularly relished deep fat fried foods, steamed foods, and fragrant, crisp, hot and fresh foods having a distinctive flavor. 5) Reduction in the number of middlemen for a saving of expenses. To summarize the foregoing, the plant-in-the-rear, shop-in-the-front form of production and marketing grain and edible oil foodstuffs possessed vigorous vitality, and competitiveness. It had great prospects for development. Some places adopted certain policy measures such as no payment of profits for from 3 to 5 years after going into business so that industry could support industry in the expansion of production. Some business were able to add to their equipment using low interest or discounted bank loans. In some cases, enterprises were able to control the use of profits retained in accordance with regulations. In some places, several enterprises organized partnerships dividing profits according to their shareholdings. By

suiting general methods to specific circumstances, all these measures produced fine results. In terms of the nation as a whole, economic benefits were very marked. From 1979 through 1984, approximately 15 million tons of grain and edible oil foodstuffs were produced and sold from shop-in-the-front, plant-in-the-rear operations for approximately 600 million yuan in profits. Most of these profits were used to offset financial subsidies of a policy nature for parity price grain and oil, thereby reducing the state's financial burden.

#### **Section 4. Steadily Advancing Production of Grain and Edible Oil Processing Machinery**

##### *I. Founding and Development of a Grain and Edible Oil Processing Machinery Industry*

Machinery for the processing of grain and edible oil is the material foundation for shaping a grain and edible oil industry, and it is also a necessary means for updating technology and increasing production. Before liberation, only small enterprises in a small number of cities such as Beijing, Tianjin, Shanghai, Shenyang, Guangzhou, and Wuxi produced individual machines and spare parts for the maintenance of grain and edible oil processing equipment, and then only in small numbers and of poor quality. Complete plants and an overwhelming majority of principle machines had to be imported in many different varieties, which were popularly termed "international brand." During the period immediately following liberation, enterprises that produced grain and edible oil processing machinery were subordinate to several different units, some of which shifted to the production of other products. Following readjustments and mergers, existing cooperative relationships in production were thrown into confusion, thereby weakening grain and oil processing machinery production for a time. With revival of the national economy, institution of monopoly purchase and sales of grain and edible oil, and advances in the transformation of privately owned industries and businesses, the conflict between production of grain and oil processing machinery not being consistent with development of the grain and edible oil industry became more and more prominent. A small number of cities began to build plants specifically for the purpose of manufacturing grain and edible oil processing machinery. Examples included Shenyang in Liaoning Province, which started out with the Xiangji Machine Plant, and Beijing, which started out with the Beida Ironworks, each of them building grain processing machinery plants. Wuxi in Jiangsu Province merged 12 small privately owned plants to found the Wuxi Food Processing Machinery Plant, which produced mostly grain and edible oil processing machinery. Quite a few provinces and cities also set up machine repair workshops in large- and medium-sized grain and edible oil processing plants, which both repaired and built machines, and engaged in simple manufacturing. Ability to produce grain and edible oil processing machines increased throughout the country, but it was still impossible to meet needs in development of the grain and

edible oil industry. Specifically, since machinery manufacture was under jurisdiction of several different departments, lack of synchronization was common, production did not satisfy needs, and goods were not supplied promptly. This worsened the conflict between production and demand. Specifically, supply not meeting demand was most apparent in the grinding rollers used for milling flour, the rubber rollers used for rice hulling, the abrasive rollers used for milling rice, and the germ crushing rollers used in producing edible oil (commonly termed the "four rollers," all of which were easily damaged in the processing of grain and oil).

Reasons for the daily increase in the amounts needed of grain and oil processing machinery and easily damaged parts were as follows: 1) Rapid increase in the volume of grain processed. For example, from 1950 through 1952, the amount of grain processed into flour averaged 1.71 million tons per year. From 1953 through 1957, the annual average amount processed was 3.74 million tons, or more than double the earlier amount. This included 4.51 million tons of flour in 1957, or more than four times the 1.05 million tons produced in 1950. Rice output also increased 2.87-fold. 2) The equipment used in countless privately owned grain and edible oil processing plants was old, and had not been maintained for many years. A certain amount of equipment had to be updated, and a certain amount of easily damaged spare parts had to be stocked. However, it was impossible to supply the materials needed. This was particularly true in 1958 following the "Great Leap Forward" when all firms in all industries were intent on increasing the special purpose machines and spare parts used in their own firms. Many difficulties existed in the amount, the specifications, and the times of production and delivery of grain and edible oil processing machinery. For the country as a whole, either grain and edible oil processing capacity in some places was seriously inadequate, or the supply of easily damaged parts was exhausted in some processing plants forcing a work stoppage. All these things adversely affected the normal allocation, transfer, and supply of grain and edible oil.

It was under these circumstances that the Ministry of Grain decided to establish grain and edible oil machinery manufacturing plants to produce the needed equipment and supply it at specific places. In the summer of 1958, the Ministry of Grain held the first conference on grain and edible oil processing machinery at Qingdao in Shandong Province. At this conference plans were drafted for grain departments to develop production of grain and edible oil processing machinery. In November of that same year, the Ministry of Grain first established the Beijing Grain Machinery Manufacturing Plant, basing it on a flour mill repair and spare parts workshop located in Beijing's eastern suburbs. This plant was able to produce all the equipment needed to produce 2,000 bags of flour daily. Following State Council approval in March 1959, a food processing machinery plant under control of heavy industry departments, and a rubber roller plant under control of chemical industry departments in Wuxi, Jiangsu Province

were transferred to the jurisdiction of grain departments. At the same time, return to direct grain department control of a grain and edible oil processing machinery manufacturing plant in Shanghai was approved. In 1961, the food processing machinery plant and the rubber roller plant in Wuxi were merged to become the Wuxi Grain Processing Machinery Plant. In 1964, the construction corps at the Gangban Tank Farm in Zhengzhou renovated and expanded the Ministry of Grain's Zhengzhou Grain Processing Machinery Plant. Thus, the Ministry of Grain had four grain processing machinery plants geared to the needs of the country at Beijing, Wuxi, Shanghai, and Zhengzhou. Following State Council approval, the existing cooperative relationship was maintained without change regarding the grinding rollers used to grain flour. They continued to be produced and supplied at certain locations.

Production of grain and edible oil processing machinery developed completely over a more than 20 year period. The main means used were as follows:

1. Plants under direct jurisdiction of the Ministry of Grain served as key contingents for the rational spread of grain processing machinery manufacturing. Following establishment of the four grain processing machinery plants under Ministry of Grain jurisdiction in Beijing, Wuxi, Shanghai, and Zhengzhou as part of war preparations, the Mianyang and Yongdeng grain and edible oil processing machinery plants under direct Ministry of Grain jurisdiction were established, a grain machinery repair and spare parts plant in Mianyang Prefecture, Sichuan, and a grain machinery plant in Gansu Province serving as a basis for their establishment. At the same time, the rubber roller workshop in the Wuxi Grain Processing Machinery Plant was moved to Changde in Hunan Province to set up the Changde Grain Processing Machinery Plant specializing in the production of rubber rollers. The Beijing Grain Processing Machinery Plant was moved to Changzhi in Shanxi Province where it was merged with the Tongyihe Machinery Plant from Tianjin to form the Changzhi Grain Processing Machinery Plant specializing in the production of flour milling and oil processing machinery. Part of the Shanghai Grain Processing Machinery Plant was moved to Anlu in Hubei Province where it was merged with the Shanghai Xinxiang Machinery Plant and part of the Hubei Provincial Grain Processing Machinery Plant to form the Anlu Grain Processing Machinery Plant specializing in the production of rice milling machines and some oil processing machines. The existing Wuxi Grain Processing Machinery Plant was retained without change. It specialized in the production of flour milling machinery. After the above readjustments, by the end of 1966, the Ministry of Grain had eight enterprises under its direct jurisdiction in Shanghai, Wuxi, Anlu, Changzhi, Changde, Mianyang, Yongdeng, and Zhengzhou. In 1970, the Shanghai Grain Processing Machinery Plant was placed under administrative control of Shanghai municipal electromechanical departments to become the Shanghai Municipal Transmission Machinery Plant. It retained some of its production of oil processing



machinery. Its seven other plants went through several transfers to a lower level and back during reform of the industrial administration system. (In early 1970, plants directly under Ministry of Grain jurisdiction were placed under local jurisdiction only to be returned to direct Ministry of Grain jurisdiction in 1978. In 1984, a decision was made to transfer them to local jurisdiction again as part of the separation of government administration and enterprise management.) Whether transferred to local jurisdiction or returned to Ministry of Grain jurisdiction, the production plans of these plants were also a part of national unified plans, and the Ministry of Grain centrally supplied their raw and processed materials. Their products met fairly high manufacturing requirements or were not suited to decentralized production. Their output accounted for more than 20 percent of national output of similar products, and the Ministry of Grain distributed their main products. These seven plants also developed fairly rapidly. Comparison of 1984 and 1959 output showed an 8.02-fold increase in gross output value and a 10.18-fold increase in output. This provided powerful support to the development and strengthening of the entire grain and edible oil processing machinery industry.

2. Strengthening of macroeconomic guidance through planning. The administrative system for the production and marketing of grain and edible oil processing machines divided control over products among the Ministry of Grain, the provinces, and producing enterprises. The main customers were domestic grain departments for a level by level evening out of distribution within the grain department administrative system. In order to conform to the nationally prescribed supply system for raw and processed materials, annual production plans for all categories of products were included within national unified plans, overall balance being effected in accordance with the principle of "setting production on the basis of needs, giving priority to the best producers, producing at fixed locations, and linking of producers to form a whole." Simultaneous with the drawing up of annual production plans was the organization of producers and users to sign purchase contracts. Practice demonstrated that this way of doing things, which permitted producers and customers to deal face to face, both helped unify requests to the state for materials and assured that amounts and specifications for raw and processed materials met needs. It also helped the exchange of information, guarded against ill-advised production, and embodied the principle of selecting the superior and eliminating the inferior, enabling the entire grain and edible oil processing machinery industry to strengthen macroeconomic guidance, grain and edible oil processing machinery plants in all jurisdictions also constantly adding to their own production capacity thereby spurring development of the entire industry.

3. Supplementing equipment and improving self-reliance capabilities. The production of grain and edible oil processing machines required a certain number of machine tools of various kinds to serve as "mother

machine tools." After 1959, scores of large precision machine tools were imported from the USSR, the DDR, Czechoslovakia, Romania, and the Democratic Republic of Korea for the three plants under direct Ministry of Grain jurisdiction in Beijing, Shanghai, and Wuxi. These plants were required to make some machine tools themselves while also producing grain and edible oil processing machines. From 1960 through 1962, these three plants manufactured a total of nearly 1,000 radial drilling machines, universal drilling machines, double housing planers, hobbing machines, punch presses, hoists, C-630 lathes, and various other kinds of special purpose lathes. Except for small amounts retained to equip the plants that manufactured them, most of these machines were distributed elsewhere to equip grain processing machinery plants or repair workshops. Such a method of self-reliance not only equipped and improved production plants themselves, but also played an active supporting role in the development of the grain and edible oil processing machinery industry nationwide.

4. Close coordination among scientific research, teaching, and production for mutual advancement. In the process of producing grain and edible oil processing machinery, grain departments in Jiangsu, Hubei, Henan, Shaanxi, and Sichuan provinces set up scientific research and design organizations. They placed particular emphasis on research and design of flour milling, rice milling, storage, and oil processing machines, and on testing and chemical assay devices respectively, thereby linking grain and edible oil processing technology closely to machinery manufacturing, and linking scientific research and design closely to production and manufacturing. In order to train a technical corps in grain and edible oil machinery manufacture, the Zhengzhou Grain Institute, and the Wuhan Grain Industry Institute established grain and edible oil processing machinery departments. Grain schools in Shanghai, Tianjin, Hebei, Heilongjiang, and Gansu also set up special grain and edible oil processing machinery industries. In addition, many schools added or augmented special courses on grain and edible oil processing machines. Under unified leadership of the Ministry of Grain, directly subordinate scientific research institutes, institutions of higher learning, and industrial plants had relative individual independence. They could both be responsible for a division of labor, making steady progress, and they could conduct discussions geared to the needs of the job, coordinating organically. These were good experiences that spurred the rapid development of the grain and edible oil processing machinery industry.

Thanks to efforts made in the foregoing several regards, grain and edible oil processing machinery plants nationwide increased from 10 in 1957 to 246 by the end of 1984 (not including 2,031 grain machinery repair and spare parts workshops) located in all provinces, autonomous regions, and municipalities under direct central government jurisdiction. In 1984, they produced a gross output value of 320 million yuan, 13.4 times again as much as in 1959, the year following establishment of



plants directly under Ministry of Food jurisdiction. Product output was 86,000 tons, 16.3 times again as much as in 1959 to make a major contribution to the technical transformation and new plant construction in the grain and edible oil industry.

## *II. Increasing the Varieties of Products and Expanding the Product Market*

During a period of more than 20 years, fairly great changes occurred in both the kinds of products and the marketing area for grain and edible oil processing machinery production.

1. Development from the production of undiversified grain and edible oil processing machinery to the production of many different kinds of machines. This included the production of machines for the storage and marketing of grain and edible oil, food and livestock feed processing machines, some testing and chemical assay equipment, and some motor vehicle spare parts. Grain enterprises and their grassroots level units throughout the country, including granaries, processing plants, workshops, grain shops, grain stations, grain control offices, and organizations dealing in foodstuffs and livestock feed numbered nearly 100,000. Generally speaking, these units were not highly mechanized, but they needed various kinds of grain machines to improve work efficiency and to take the place of heavy physical labor. After more than 20 years of effort, the grain and edible oil processing machinery industry gradually met the needs of all parties concerned.

2. The three "-izations" (standardization, serialization, and generalization) lay the groundwork for progress from the production of single kinds of machines to the production of complete plants for the most part. At the end of 1974, the work of selecting and standardizing models of grain and edible oil processing machinery began. This was done first for flour milling and rice milling machines, and it was later extended to oil processing, storage, and livestock feed machines. This selection and standardization of models provided fine conditions for improving the technological level of grain, edible oil, and livestock feed processing equipment, and it also posed new requirements for improving grain machinery plant technology. It spurred the gradual change from production of single machines for the most part to the production of whole groups of machines for the most part. It both included the assembly of whole groups of machines after evaluating and modifying the production of individual machines, and it also included the independent design and manufacture of small complete plants. By 1984, integrated whole plants with rice milling machinery having daily outputs of 12, 30, and 50 tons; integrated whole plants with flour milling machines having a daily output of 500 bags; and complete extraction plants containing oil processing machinery having a daily output of 30, 50, and 80 tons were being produced. Complete plants were produced containing food processing machinery to make convenience noodles and

macaroni, and various kinds of plants having different specifications were produced for the processing of rice, flour, and oil.

3. A shift from dependence on imports to exports, and assisting foreign countries. From 1966 through 1984, grain and edible oil processing machinery having a total value of approximately \$26 million was provided to foreign countries, shipments being made to 44 countries and regions in Asia, Africa, Europe, and Latin America. This included single machines or complete plants to assist foreign countries, most of which were designed individually to meet the production conditions and patterns of use of the countries receiving assistance. Only after repeated try outs and appraisals were they put into production. Although this consumed labor, time, and materials, and although the numbers were relatively small, staff members and workers filled with political enthusiasm, strove to complete foreign assistance tasks. Consequently, the machines performed rather well, earning good marks from countries receiving the assistance.

Nevertheless, the present condition of the grain and edible oil processing machinery industry remains very much unable to meet needs in the gradual modernization of grain enterprises, and the increased opening of international markets. The main problems are the considerable gap in manufacturing technology and product quality in comparison with international standards, and the inability of product output to satisfy domestic development needs. The management of firms is also not as vigorous as it should be. Planning is greatly centralized with numerous links. Practical steps must be taken to solve these problems.

## *III. New Advances Made; Reforms Show Results*

The production of grain processing machines differs from the processing of grain and edible oil in that enterprises that produce grain processing machinery can steadily develop new products on the basis of market demand, and these products do not fall within the purview of monopoly purchase and sales. In other words, in a predominantly planned economy, there is much more room for maneuver in the market regulation of their production and sale than there is in grain and edible oil processing. Following the 3d Plenary Session of the 11th Party Central Committee, the grain and edible oil processing machinery industry conducted some trial reforms in the spirit of the opening to the outside world and invigoration of the domestic economy, making new strides and scoring notable accomplishments.

1. Importation, digestion, and absorption of some advanced foreign techniques. During the 1980's, some advanced equipment was imported from abroad in order to hasten development of the country's grain and edible oil machinery industry. This included new grinding

roller casting technology and key examination and control equipment, new rubber roller manufacturing technology, and key examination and control equipment. The first of these technologies has been adopted by plants concerned, and the feasibility of the second one is being examined at certain locations. Once imported flour refining machinery, a complete convenience noodle plant and soup ingredients packing machine, a pellet livestock feed machine, and a gravel removal machine went into production, they played a major role in improving the manufacturing standards of the grain machinery industry and ability to develop new products.

2. Use of military ordnance and machinery units' equipment and technical advantages to produce some grain machinery. Already decided on are the following: some oil refining complete plants, which grain departments and aviation industry units are to produce in cooperation; some oil extraction equipment, which are to be produced by machine industry unit plants. Discussions about other products are currently underway for a gradual expansion of area of cooperation.

3. Development of lateral links to organize the supply of whole plants. Not only have single enterprises been relied on, but plants concerned have formed partnerships to organize the supply of complete plants. In addition, grain machine plants have shifted from just production to both production and business providing design, manufacturing, installation, and maintenance services by way of increasing their vitality. In 1981, a Ministry of Commerce grain and edible oil machinery sales and service management department was established at Wuhan in Hubei Province to sell, act as sales agents, and provide technical services for grain and edible oil processing machines. A flour manufacturing equipment engineering company, a grain storage machinery complete joint management company, a convenience noodles equipment company, and a livestock feed industry joint management development company are in process of being founded.

4. Gradual spread of the "production permit" system. The 1984 All-China Grain and Edible Oil Machinery Conference For Placing Orders and Planning Production, which was held at Hohhot in Inner Mongolia in the Inner Mongolian Autonomous Region in August 1983 proposed the gradual spread of the "production permit" system for production at fixed locations for the purpose of insuring product quality and guarding against ill-advised production. The conference decided to promote this system first for instrumentation, compression, and explosion-proof products, extending it subsequently to environmental protection products (such as products for the elimination of noise, vibration, and pollution). The conference also requested that the three grain machinery plants located at Anlu, Wuxi, and Changzhi take the lead in research and development of new products, setting up scientific research organs to propose plans for research and development of new products.

All of the above were new strides taken by the grain and edible oil machinery industry after 1978. Despite the short period of time, preliminary results have appeared. Gross output value for the grain and edible oil machinery industry since 1979 averaged a 9.1 percent annual increase; thus, gross output value for 1984 reached 320 million yuan. Practice has shown that with continued improvements, the grain and edible oil machinery industry has more potential to be tapped and great prospects, and that further improvement of economic returns may also be anticipated.

## **Section 5. The Management of Grain and Oil Industrial Enterprises**

### *1. Changes in the Management System*

Grain department management of enterprises linked together requisition procurement, sales, allocation and transfer, storage, and processing in a management system under unified leadership that combined industry and commerce, and government administration and enterprise management. As production enterprises, the management of grain and edible industry enterprises should have been the same as, or similar to, that of other enterprises. However, because of organizational relationships, the grain and edible oil industry differed from other industries in the following ways: 1) Institution of monopoly purchases and sales meant that grain and edible oil processing plants could neither selectively purchase raw materials and keep proper amounts of reserves in storage as production required, nor were they able to act on their own initiative to produce more products or different kinds of products in response to market changes. Much less were they able to sell products directly or accept market supervision. 2) Grain and edible oil processing and marketing was done against orders for a long time, the cost of raw materials, which comprised approximately 92 percent of production costs, and the cost of packaging materials, with comprised approximately 6 percent of production costs not being included in the industrial enterprises' accountings. 3) Industrial enterprises were dependent on grain businesses for production funds. Some places instituted a system whereby the national treasury contracted level by level financial receipts and expenditures with grain departments, the profits and losses of the grain and edible oil industry included. Industry profits offset government financial subsidies to businesses, receipts and expenditures being centralized.

The various activities of the grain and edible oil industry were closely linked to purchases and sales, all parts operating in coordination under unified command to play a major role in providing services to the people's daily life, centrally controlling markets, and carrying out monopoly purchase and sales policies. Nevertheless, many years of practice also revealed the problems and shortcomings of such a management system, which were prominently manifested in an enduring disjointedness among responsibilities, authority, and benefits in supply system relationships of grain and edible oil industries

and businesses. Grain and edible oil industrial enterprises lacked requisite decision making authority making them unable to act energetically. Since they had no control over raw materials, all they could do was "process whatever came along." They often found themselves in a passive situation of frequent machinery changes, inconsistent production procedures, and an unsynchronized work rhythm. Unable to make their own decisions about the kinds and quantities of products to be produced, they were indifferent to market information, lacked business motivation, and found it more difficult to do long-range planning. Since the purview of processing orders and enterprise cost accounting was extremely small, it was difficult to build a comprehensive economic responsibility system. Because of the monopoly receipts and monopoly expenditures, and eating out of a "large common pot," funds could not be assured for regular plant building maintenance, replacement of equipment, and certain technical transformation and technical development projects. Thus, the plant buildings of many grain and edible oil industrial enterprises could not be renovated, and their equipment was old. Frequently plants operated despite disabilities, managing to maintain production with difficulty.

This management system had to change gradually with complete reform of grain work.

Until such time as substantial changes were made in the grain work management system, in order to make improvements under existing conditions, grain and edible oil industrial enterprises and businesses resorted to doing business through allocations [jiabo jingying 0116 2328 4842 3602] in return for payment. This meant a change from placing orders for processing to setting prices according to quality when appropriating raw materials and handing over products, nothing else changing. This way of doing things had been in being for a long time. Back in the spring of 1956 after all firms came under joint state-private ownership during the transformation of privately owned industries and businesses, the third session of the NPC of 30 June in the same year noted that for factories to go from orders for processing to the purchase of raw materials and the sale of products was a normal method in industrial production. In accordance with this spirit, in 1956 and in 1960 the flour industry in Shanghai and Beijing tried out allocations in return for payment. Practice showed that because of the strict checking of weights and measures, the setting of prices on the basis of quality, and the clear-cut division of responsibilities, this way of doing business produced marked benefits in overall strengthening of management, rational use of raw materials, and increasing production efficiency. However, because of the lack of an identical understanding on the part of all parties concerned nationwide, this way of doing business was tried out in only a small number of places, and the placing of orders for processing continued to hold a commanding position. In October 1979, the Ministry of Grain convened a conference at Huangshi City in Hubei Province. After summarizing and promoting allocations

in return for payment, a steady exchange of experiences occurred for an improvement in the situation. Statistics showed that as of the end of 1983 approximately one third of grain and edible oil processing plants had promoted allocations in return for payment, but it was not until the end of 1984 that the number reached approximately 50 percent. However, these changes were only certain changes in economic relationships among industries and businesses within grain departments. They could not enable enterprises to make full use of their vitality in production and business.

How to handle correctly the correlation between centralization and decentralization, and between central and local authorities were also important aspects of the management system for grain and edible oil industrial enterprises. In order to help carry out monopoly purchases and monopoly sales to enable planning for grain and edible oil industry production to be better related to planning for grain and edible oil purchases and sales, both the grain and edible oil industry and grain businesses instituted four level central, provincial, special administrative region, and county (or city) administrative and vocational leadership. However, grain and edible oil industrial enterprises were located at many places over a wide area. Many of them were medium or small in size, and a fairly large percentage of them were located in county seats or in places smaller than the county seat. Objectively, there should be fewer levels, authority should be delegated, and local face-to-face leadership should predominate. Consequently, in the management of the grain and edible oil industry, which ones should be centralized, which ones should be decentralized, how centralized and decentralized they should be, and how to make the most of the enthusiasm of both central and local authorities were problems requiring careful study for solution.

Following liberation, the grain and edible oil industry went through two delegations of authority and two retrievals of this authority under the principle of unified leadership and management at different levels. In 1956, after the Ministry of Grain unified management of the grain industry, grain departments in all provinces, autonomous regions and municipalities under direct central government jurisdiction became directly responsible to the Ministry of Grain for enterprise finances. Annual flour production plans throughout the country were examined and approved by the State Statistical Commission; rice and miscellaneous grain annual production plans were examined and approved by the Ministry of Grain; and jurisdiction in the management of all other enterprises was under dual leadership, the central government ministry in charge being paramount. This was the first retrieval of delegated authority. Subsequently, in order to bring into play the enthusiasm of both the central and local governments, and expand local governments' management jurisdiction, in April 1958 the CPC Central Committee and the State Council made several rulings on the delegation of authority over industrial enterprises. In September, they issued regulations

on improvement of the plan management system. In December, they further decided to institute "two transfers, three unifications, and one guarantee"<sup>5</sup> Acting in this spirit, the Ministry of Grain decided that except for newly built grain and edible oil processing machinery plants, which would be retained as directly subordinate enterprises, all grain and edible oil industries were to be transferred to local administration beginning in 1959, the level to which they would be transferred to be decided by local authorities. This was the first delegation of authority. In order to overcome economic hardships, in January 1961 the CPC Central Committee issued the temporary regulations on readjustment of the management system, which stressed centralization. In accordance with the spirit of these regulations, financial and administrative authority over grain and edible oil industries was once again centralized in the Ministry of Grain beginning in 1962. Following State Council ratification in 1964, grain and edible oil industry wage plans came under centralized administration once again. This was the second retrieval of authority. A letter that Mao Zedong wrote to Liu Shaoqi in March 1966 said: "To have everything centralized at the central level where it is stifled is not a good way of doing things."<sup>6</sup> During the same month at an enlarged CPC Politburo meeting in Hangzhou, Mao Zedong said that the it would be better for the central authorities to be "mere figureheads united in purpose," the central authorities being concerned only with guiding principles, policies, and plans, and not being concerned, or being little concerned, with actual implementation. Central authorities had taken back too much control over factories. Everything they had taken back should be released to the local authorities, every last bit of it.<sup>7</sup> In April, the State Council agreed with and ratified the Ministry of Grain's report on returning to local jurisdictions control over labor in industrial enterprises under its jurisdiction. In December, the Ministry of Grain convened the All-China Grain and Edible Oil Industry Conference during which, in response to the imperatives at that time of war preparations and preparations against famine, as well as the organization of commodity flow on the basis of economic zones, it was decided to delegate to local authorities financial and administrative jurisdiction over grain and edible oil industry enterprises. This was the second delegation of authority.

In an overall sense, the foregoing process of retrieval and delegation was related to changes taking place at that time in the administrative system for the entire national economy. In terms of the administration of grain and edible oil industry enterprises, centralized administration and unified jurisdiction produced readily apparent results. For example, the readjustment of the industrial pattern that occurred from 1956 through the first half of 1958 strengthened enterprise management. It established and perfected uniform regulations throughout the country, and it overcame the administrative chaos that followed in the wake of the "Great Leap Forward" for several years after 1961, and so on. Had a decentralization of jurisdiction with multiple leaders still existed at

that time, the aforesaid large scale readjustment and restructuring would have been very difficult to orchestrate. This point should be acknowledged. Nevertheless, under an administrative system in which there was no separation of government administration and enterprise management, of overcentralization, and of stifling uniformity, problems might easily arise of sole reliance on administrative fiat to manage the economy, enterprises being unable to express their vitality, and damage to local leadership. All these problems had to be studied diligently and genuinely solved in the course of reform.

## *II. Actions To Overcome Two Periods of Serious Administrative Hiatus*

After the institution of centralized leadership and centralized management by specialized departments in 1956, forces were marshaled to readjust the pattern of industry and to improve the management of enterprises. However, the disturbance caused by "leftist" ideology caused two periods of serious administrative hiatus.

The first period of serious administrative hiatus occurred during the "Great Leap Forward" when agricultural output was seriously exaggerated. In 1958, forecast grain output was exaggerated to 750 billion jin; thus, the question arose of "what's to be done if grain and edible oil processing capacity does not keep pace?" This became a problem about which staff members and workers in grain departments became greatly concerned at that time. Some places ran wild, scrambling to build processing plants, creating chaos in the pattern of distribution of processing plants. Quite a few people also advocated tapping the potential of existing equipment, rather realistically taking the road of increasing per unit yields. These ideas sprang from good intentions, which were beyond reproach. Nevertheless, lashed by a tide of mindless actions subjectively taken, no respect for science, blind guidance, and reckless "reporting of good news," the per unit yields of grain and edible oil processing plants rose higher and higher as plants tried to outdo each other. In the "leftist" atmosphere, higher level units mistakenly supposed that "there could be only upturns but no downturns," so they provided support blindly. Exaggeration in the grain and edible oil industry showed up first in the management of technology. The All-China Grain Industry Conference that the Ministry of Grain convened in December 1958 called for grain processing plants throughout the country to "strive to double production capacity while assuring product quality and safety in production, without adversely affecting increases in output rates, and basically adding no equipment, meaning a "doubling of output." At the All-Chinese Grain and Edible Oil Industry Conference convened in July 1959, a tabulation showed 699 plants in 16 provinces as having "doubled output." At the conclusion of the conference, an analysis was made confirming this formulation, and unrealistic norms were set for per unit yields: Before the end of the year, daily output per roller extension [jiecun 2234 8120] for flour mills throughout the country was to reach approximately 12 bags. Yield from Guang Model 2 rice milling

machines should reach 3,000 kilograms per hour, and output from iron roller rice milling machines should reach 1,200 kilograms per hour. In addition, edible oil plants instituted "double high yields" (high oil output rate, and high crushing energy utilization rate) for a 400 million jin increase in oil output. At the All-China Grain Industry Conference convened in January 1960, a tabulation was made of how well the previous year's per unit yield norms had been carried out. Average daily output per roller extension for flour mills nationwide increased from between seven and eight bags in 1958 to more than 11 bags. Hourly outputs for both the Guang Model 2 rice milling machines and the iron roller rice milling machines reached the norms prescribed in the previous year. Output of sorghum milling machines also reached approximately 300 kilograms per hour, approximately double the 1958 figure. In addition to endorsing these "achievements," the conference also decided on a general improvement during 1960 in the grain and edible oil processing implements currently being used in rural villages. A tabulation made in November 1960 showed 1,768 grain processing plants throughout the country as having "doubled output." In Heilongjiang, Jiangsu, and Shanghai, 2,435 oil processing plants and native oil pressing workshops reached the "double high yields" that provinces and cities prescribed. Thus, the norms were revised again, more than 60 percent of the flour mills in the country being asked to increase daily output per roller extension from 12 to 14 bags; and more than 55 percent of rice milling plants to increase output, those having Guang Model 2 rice milling machines from 3,000 kilograms to 3,500 kilograms per hour, and those having iron roller milling machines from 1,200 to 2,000 kilograms per hour. More than 60 percent of the oil pressing equipment in edible oil plants "doubled output." These unrealistically high norms were already suspect by the time of the All-China Grain and Edible Oil Industry Conference of January 1961 when Deputy Minister of Grain Chen Gudong said from the rostrum that "doubling also has to be based on acts." He also said that a 400 million jin increase in oil output was also a high norm. He also leveled severe criticism against mistaken practices such as the "flying hammer crushing" used by oil workshops in some places, and flour mills using their grinders to grind cement. Given the political atmosphere of the times, this conference did not specifically deny the "doubling of output," much less could it lay bare the damage caused by being divorced from reality, so the tendency toward high norms continued for some time.

This trend toward rushing into blind action and exaggerating reality in the grain and edible oil industry showed up not only in the management of technology, but also permeated all of enterprise management, causing confusion that resulted in various evil consequences. One was an increase in accidents. The number of people who died on the job in grain and edible oil processing plants during the first half of 1958 was 102 percent the number who died all year in 1957. In 1960, more than 50,000 serious equipment accidents, more than 5,600 work injuries, and more than 240 major fires occurred. Second

was the unwarranted increase in personnel, which caused a decline in the labor productivity rate. At the end of 1957, 165,000 staff members and workers were employed in the grain and edible oil industry. The number shot up to 330,000 in 1958 although gross output value increased only 4.6 percent. The total labor productivity rate for all personnel figured on the basis of the average number of staff members and workers for the year declined 15.7 percent. In 1960, the number rose further to 390,000. After deducting for changes in subordination and the natural increase in personnel for new plants, a substantial number of the newly added personnel were taken on when they should not have been. Third, normal plant administrative procedures were thrown into confusion. The linking of granaries to plants changed into granaries and plants being one and the same, eating out of a "large common pot." Fourth was a rise in the number of deficit enterprises. Statistics from 19 provinces and municipalities showed more than 1,600 grain and edible oil enterprises as having deficits in 1961. This was 36 percent of the total number of enterprises in the areas concerned. In the name of technological innovation, problems such as equipment and technology being changed arbitrarily, not following operating rules, and not maintaining or overhauling equipment were common occurrences. In some edible oil plants, fantastic stories about "oil shipments exceeding the amount of oil in storage" even occurred.

Reversing the foregoing chaotic situation began in 1961 with implementation of the CPC Central Committee's policy of readjustment, consolidation, filling out, and raising standards. The main actions taken were as follows: (1) Readjustment of enterprises, and reduction of staff members and workers. During the 2 year period 1962 and 1963, the number of grain and edible oil processing plants was reduced by 1,644 through closings, stoppages, mergers, retoolings, and reductions. Small grain and edible oil processing workshops that were part of grain management offices, grain stations, and granaries were reduced by 1,334. The mindlessly added grain and edible oil processing capacity was thus readjusted. From 1961 through 1963, a total of 120,000 staff members and workers were retrenched and placed elsewhere. (2) Restructuring of enterprises, implementing the "70 Articles for Industry," and establishing and perfecting regulations. In March 1961, the Ministry of Grain reaffirmed thirteen methods for grain and edible oil processing plants including checking of weights, checking of chemical testing, taking over shifts, and equipment maintenance responsibility systems. In addition, it intensified quota management and launched the "five good" enterprises competition.<sup>8</sup> (3) Consolidation of "two participations, one change, and three combinations," [workers participate in management while cadres participate in labor (two participations); reform of all unreasonable rules and regulations inside an enterprise (one change); and the three combinations of politics with technology (or economy), leadership with the masses, and theory with practice] to improve leadership within enterprises and relations between workers and the

masses. (4) A general survey of equipment. After running pilot projects, in November 1963, a general survey of equipment began and was concluded in September 1964. Not only were amounts of equipment surveyed, but each machine was technically assayed, leaders and managerial personnel thereby finding out exactly the performance of each one, and the broad masses of staff members and workers receiving instruction. The survey also eliminated some hidden causes of accidents. 5) Unified nationwide accounting methods were also prescribed for grain and edible oil processing fees and processing profits per ton.<sup>9</sup>

The second serious hiatus in management occurred during the period of the 10 years of turmoil. This period was characterized by a rampant anarchist trend of thought, a repudiation of the leadership of the Communist Party of China, and a repudiation of normal management. Furthermore, the turmoil ran deeper, lasted longer, and had more serious consequences than the earlier hiatus. When the All-China Grain and Edible Oil Industry Conference was convened at Guan in Hebei Province during July 1977, the tumultuous situation was capsulized as "one chaos, two lows, and two manys." By "one chaos" was meant chaos in the management of assets. Rules were not followed, having no rules to depend on; showing no concern for accounting, figuring costs wildly, incurring serious losses and waste, and corruption and theft were commonplace. The "two lows" referred to a low grain and edible oil outturn rate, and a low in-service rate for equipment. From 1974 through 1976, the annual average outturn rate for rice and wheat flour was lower than in 1965 before the "Great Cultural Revolution," the wheat flour outturn rate being approximately 2 or 3 percent lower. After the 10 years of turmoil, equipment was out of repair, faulty machinery was operated, and serious hidden dangers lurked everywhere. Extrapolation of representative sampling data showed an in-service rate of no more than approximately 50 percent for power plants nationwide, the in-service rate for boilers and gas engines being less than 50 percent. The "two manys" meant many enterprises losing money and many accidents of various kinds. In 1976, 1,037 enterprises, or 20.2 percent of the total number of grain and edible oil industrial enterprises nationwide, showed a deficit, and this did not include those showing seasonal deficits. The figures for annual work injuries, serious equipment accidents and fires were highest during the years 1974 through 1976.

In July 1977, the Ministry of Grain convened a conference, which studied and planned means to reverse the serious hiatus in the grain and edible oil industry, reiterated grain and edible oil industry plans and policies, emphasized a quota management system the centerpiece of which was personal responsibility systems, as well as other rules and regulations, proposed the launching of a widespread technical training campaign, and discussed technical transformation goals. The conference also called upon all jurisdictions to augment industrial management organs at all levels. The chaotic

situation was really powerfully reversed after the 3d Plenary Session of the 11th Party Central Committee when the grain and edible oil industry acted in accordance with the 1979 CPC Committee Eight Character Policy of readjustment, restructuring, consolidation, and improvement, emphasizing three things in production management as follows: First was to institute a basic wage plus bonuses, or trying out floating wages in accordance with the principle of distribution according to work in order to arouse the enthusiasm of staff members and workers. Second was the restructuring of enterprises. As of the end of 1984, 83.4 percent of more than 6,000 independently accounting grain and edible oil industrial enterprises had been restructured and certified as meeting standards. The main results achieved were as follows: enterprise leadership teams were readjusted, their quality rising; various forms of economic responsibility systems were established within enterprises; the organization of labor was restructured with emphasis on training before assignment to a position; and economic returns were increased. Third was the promotion of allocations in return for payment, institution of percentage deductions of profit, and suitable expansion of enterprises' decision-making authority to create conditions for promotion of "substitution of payment of taxes for payment of profits." Some places also experimented with state-commune partnerships, nearby communes and brigades providing raw materials which state-owned factories processed after which they returned to the communes and brigades a portion of profits or provided transportation expense subsidies. These three things were in the nature of reform to a certain extent, but they differed from previous restructuring for revival purposes in that they struck at the fundamentals of enterprise management; consequently, their effects were marked.

### *III. Strengthening Administration For Better Economic Returns*

In old China, the grain and edible oil industry had its own body of methods for administering enterprises. After liberation, in the course of transforming privately owned industries and businesses, only sensible methods that helped production were retained; all feudal, backward, and undemocratic or unscientific administrative methods were rooted out or gradually transformed. In 1956, under leadership of the CPC Central Committee, enterprises began to establish and perfect quota management systems, the centerpieces of which were plant manager responsibility systems, staff member and worker representative assemblies, and personal responsibility systems.<sup>10</sup> It was on this basis that the Ministry of Grain prescribed the following in August 1961: Those grain and edible oil industrial enterprises that fulfilled their outturn rate, quality, per unit yield, cost, and safety quotas (termed the "five guarantees" for short) could try out aggregate bonuses for overfulfillment of quotas. In December of the same year, promotion of the "five fixeds," and the "five guarantees" began, meaning that departments in charge of grain and edible oil industry enterprises acted on behalf of the state to institute the

"five fixed," and enterprises had to make "five guarantees" to the state.<sup>11</sup> In August 1963, the Ministry of Grain drew up wage grade scales for the main kinds of work and technical grade standards for workers in the grain and edible oil industry. This made overall management of the grain and edible oil industry more complete and more specific; it made relations among the state, enterprises, and individuals closer; and it created suitable conditions for the selection of advanced enterprises and the launching of labor competition. Gradual improvement of administrative work assured gradual rise in the level of production. Even in a situation of numerous changes in raw materials and inconsistent production, the broad masses of staff members and workers could surmount the difficulties caused by frequent changes in machinery, insure market supply, and strive to realize better economic returns. That the grain and edible oil industry never halted production during the 10 years of turmoil was attributable to its well based administration. Among the more than 500,000 staff members and workers in grain and edible oil factories throughout the country, the psychology of hard work and thrift in the operation of enterprises was deeply ingrained, and this was also an important guarantee for the consolidation of this administrative base. The perseverance of No 2 Flour Mill in Qingdao, Shandong Province in running the mill with hard work and thrift was rather well known throughout the country. The mill was cited several times as a red banner unit, becoming an advanced model for grain and edible oil industry enterprise management. This was an old mill built during the 20th century, but it always made sure to maintain its equipment, adhered to sensible rules and regulations, maintained fairly low production costs for a long period of time, and staff members and workers throughout the plant summarized the regular savings to be made in production as the 10 "singles": saving a single grain, a single kilowatt hour, a single inch of wire, a single drop of oil, a single copper, a single inch of wood, a single drop of water, a single nail, a single ounce of coal, and a single minute. This spirit of paying attention to saving the slightest bit of anything and being able to see large

meaning in small matters was universally praised and highly respected in grain and edible oil industry enterprises. In the spring of 1964, the Ministry of Grain sent a work team to that mill to gain firsthand experience, to summarize experiences, and to promote that mill's experiences. Over a period of more than 30 years, all over the country many conferences for the exchange of experiences in improving the management in the grain and edible oil industry were convened, or enterprises were selected as representatives to take part in conferences of outstanding workers in finance and trade, and in industry and communications, commendation meetings, and appraisal meetings on specific topics. The main component in exchanges of experiences, and the main requirement for selection as a delegate was hard work and thrift in building up plants, insuring that the grain and edible oil industry gained better economic returns.

Overall, economic returns in the grain and edible oil industry were rather good from 1949 through 1984. The industry realized a profit of 10.9 billion yuan, accumulating construction funds for the state. However, monopoly purchase and monopoly sales of grain and edible oil imposed conditions and limits on grain and edible oil industry increase in output value. The industry had to depend on reducing expenditures and cutting costs in order to make a profit. In the more than 30 years since liberation, the grain and edible oil industry followed a tortuous course of increases and decreases in profits. The hiatus that the "Great Leap Forward" caused in 1958 produced an average profit of only 159 million yuan for 1961 and 1962. As a result of restructuring and revival, average profit during 1963 through 1965 rose again to 269 million yuan. It fell again following the beginning of the 10 years of turmoil, so much as that during the Third 5-Year Plan period (1966-1970), the grain and edible oil industry's gross profits were 782 million yuan, which was 32 million yuan less than the 814 million yuan of the Second 5-Year Plan period (1958-1962). The grain and edible oil industry attained truly consistent and large increases in gross output value only after the 3d Plenary Session of the 11th Party Central Committee. (See Table 15)

**Table 15. Gross Output Value and Increases in Profits of the Grain and Edible Oil Industry 1978-1984**

Particulars	1978	1979	1980	1981	1982	1983	1984	Percentage Increase Between 1978 and 1984
Gross Output Value (100 million yuan)	152	159	166	185	199	210	225	48 percent
Profit (100 million yuan)	5.76	5.92	6.70	7.61	9.35	10.99	13.11	127 percent

A look at the profits of the grain and edible oil industry over the past more than 30 years shows an average annual profits of 184 million yuan per year for the period from 1949 through 1978. For the 6 years from 1979 through 1984, the average annual profit was 903 million yuan or 4.9 times the average annual profit during the previous 30 years.

Other economic indicators included the following: Profit per 100 yuan of fixed assets was 24.20 yuan in 1978, 25

yuan for both 1980 and 1981, 27.30 yuan for 1982, 29.50 yuan for 1983, and 32 yuan for 1984. Profits per staff member and worker were 1,416 yuan for 1978, 1,560 yuan for 1980, and 1,652, 1,928, and 2,214 yuan respectively for the years 1981 through 1983, increasing again to 2,615 yuan in 1984. These indicators show that the grain and edible oil industry scored fairly remarkable achievements after 1978 in controlling investment in fixed assets and in increasing the labor productivity rate,



the increase in profits being the ultimate overall reflection of this.

With advances in reform of the total economic administration system, the grain and edible oil industry had both a large potential to be tapped, and also a lot of work to do in production and sales. In August 1984, the State Council noted in ratifying and forwarding a State Economic Commission, Ministry of Commerce, and Ministry of Finance report on energetic development of business-run industries that business-run industries should "use the methods of industry in administration even while maintaining their own character." "All industries run by state-owned businesses and industrial enterprises should synchronize the substitution of tax payments for the payment of profits." This document pointed the direction of advance for business-run industries. A look at the special character and the present state of the grain and edible oil industry shows that not only has the price inversion between monopoly purchase and sale of grain and edible oil not yet been solved, but how the decision making authority of grain and edible oil industry enterprises can be further expanded, enterprise partnerships organized, and the microeconomy invigorated under macroeconomic control; how enterprises' internal personnel administration and labor utilization systems can be further reformed, the quality of staff members and workers improved, and the level of administration raised; how to do a good job of firm management, promote advanced experiences, and bring about complete modernization are all problems to be further solved in the course of reform. Only by persisting in reform will it be possible for the grain and edible oil industry to keep pace with advances in the overall national economy to make a greater contribution to the country and the people.

#### Footnotes

1. Statistics showed that as of the end of 1954 the output value from ordering goods for processing in private flour mills throughout the country having 10 or more staff members and workers amounted to 99.5 percent of the mills gross output value. For privately-owned vegetable oil processing plants and rice mills, it was 97.6 and 90.2 percent respectively.

2. In the "forward road flour production method," the road that the flour traveled in the flour mill was shortened. The number of grinding roads was reduced, and milling of the grain surface in the forward road was expanded. The technical equipment was readjusted to produce a method of producing flour from wheat in which more flour was obtained from forward road surface milling and milling of the endosperm. This method was characterized by high per unit yields and low power consumption. However, because of the short path the flour traveled, the simple technology, and the lack of separation of bran, residue, and endosperm of the grain, this method was suitable only for making low quality flour.

3. In 1952, Li Chuanjiang, a worker in the Siping Oil and Wine Manufacturing Plant in Jilin Province, constantly improved technology to produce 13.83 jin of oil from every 100 jin of soybeans, creating a record at that time for manpowered screw pressing of oil. With the help of his superior unit, this method was summarized in the "Li Chuanjiang Soybean Oil Pressing Operating Method." After being tried out in other jurisdictions, the fundamentals of this operating method were likewise applied to the pressing of other oil-bearing crops and pressing machines. Li Chuanjiang was elected a national labor model. He was received several times by Mao Zedong and Zhou Enlai.

4. The term, "extraction method," was rendered two different ways in Chinese. It was a relatively new oil producing technology that differed from the pressing method. It employed a certain organic solvent in which oil-bearing crops were immersed to dissolve the oil, forming a mixture of oil and solvent. Then evaporation and stripping separated the solvent from the oil to yield crude edible oil. The oil outturn rate from this method was higher than from the pressing method; costs were lower; and oil residue quality was good; however technical requirements were also high.

5. The "two transfers" meant the transfer to commune leadership and administration of all state commercial, food, financial and banking organizations in the countryside, the assets of these units to be transferred for the use of communes. The "three unifications" meant that the implementation of policies, the formulation of plans, and control overworking capital was to be subordinate to centralized state regulations. The "one guarantee" meant payment to the state of financial obligations.

6. "A Letter About Rural Mechanization Problems," see RENMIN RIBAO, 26 Dec 1977, by Mao Zedong.

7. "A Record of Major Economic Events in the People's Republic of China," Chinese Social Sciences Press, October 1984, First Edition, p 410.

8. By "five good" was meant good at fulfilling production quotas, good product quality, good improvement in output rates, good lowering of costs, and good safety and sanitation.

9. In May 1962 the Ministry of Grain prescribed a processing profit per ton of grain or edible oil of between 5 and 7 yuan for flour, between 1.50 and 3 yuan for rice, between 2 and 5 yuan for miscellaneous grains other than wheat and rice, and between 5 and 12 yuan for oil-bearing crops.

10. In 1956, the Ministry of Grain prescribed eight grain and edible oil processing plant quotas, namely equipment quotas, output quotas, quality quotas, raw materials consumption quotas, power and fuel consumption quotas, supplementary materials consumption quotas, human labor quotas, and supplementary materials and fuel reserve quotas. Following discussion at the All-China Grain and Edible Oil Industry Conference of

February 1960, these quotas were revised to seven, namely, production quotas, working personnel quotas, major equipment utilization quotas, electric power, fuel, and processed materials consumption quotas, cost quotas, working capital quotas, and material reserve quotas. Small plants were permitted to simplify quota provisions as circumstances warranted. Production quotas were to go through the three steps of checking, changing, and prescribing, and be broken down into numerous small quotas for assignment to factory teams and groups, and to individuals.

11. The "five fixed" were fixed output plans and scale of production; fixed personnel organs, fixed sources, fixed amounts supplied or consumption quotas of main raw materials, processed materials, fuel, and power; fixed amounts of fixed assets and working capital; fixed cooperative relationships, and fixed processing feeds or ex-factory prices. The "five guarantees" were to guarantee varieties, quality, outturn rate, and output of products; guarantee not to exceed the total wage bill; guarantee to fulfill plan and strive to lower costs; guarantee to fulfill payments of profits; and guarantee the useful life of main pieces of equipment and safety in production.

#### Study of Guizhou Soybean Varieties

40060002f *Guiyang GUIZHOU NONGYE KEXUE*  
[*GUIZHOU AGRICULTURAL SCIENCES*] in Chinese  
15 Aug 89 p 18

[Text of English Abstract] 63 soybean varieties chosen randomly from more than 400 native varieties in Guizhou and divided into 7 regions based on their resources were used to study the genetic variability of 10 agronomic characters. The results showed that Guizhou soybean native varieties had a shorter growth period, less 100-seed weight, lower yield, more protein and oil content. Abundant genetic variability, greater genetic potential, and higher hereditary capacity existed in these characters. Line breeding is one of the main breeding methods in recent years. Guizhou has a superiority in soybean breeding with high protein content, but at present, the focus of soybean breeding should be on raising yields.

#### Misuses of Grain Production Funds Audited

90OH0044b *Jinan DAZHONG RIBAO* in Chinese  
28 Aug 89 p 2

[Article by Mi Haiwei 4717 3189 1218: "Misuse of Dedicated Grain Production Funds in Some Places; Provincial Government Office Issues Circular Notice Calling for Diligent Investigation and Correction"]

[Text] Some places in the province are not using or managing dedicated grain production funds properly, or they are even diverting them to other proposes. Recently the provincial government office issued a circular notice calling on all jurisdictions to diligently investigate and

correct this situation, genuinely improving management of these funds in order to advance development of grain production.

In "Circular Notice on the Auditing of Dedicated Grain Production Funds," the provincial government office said that the provincial audit bureau recently conducted an audit of how 623 units in 45 commodity grain base counties (and cities) throughout the province distributed and used their dedicated grain production funds, finding improprieties in the use of a total of 9.655 million yuan, or 6 percent of the total funds audited. They found the following four main situations: First was the lack of focus in the distribution and used of such funds, the funds being apportioned equally within units. In some places, they were distributed in proportion to the amount of commodity grain sold to the state, and some places used them in indirect expenditures for seed company capital construction. Second, some of the funds were diverted to other purposes. This problem existed to one degree or another in 11 cities and prefectures throughout the province in which a total of 5.84 million yuan was diverted to purposes other than the intended ones. The diverted funds were used mostly to build office buildings and dependent housing compounds, to purchase vehicles, and to augment insufficient operating expenses. Third was falsification of expenditures for pocketing of funds. Investigation found 1.05 million yuan in this category in violation of discipline. Fourth was a substantial amount of idle funds, this category amounting to 6.34 million yuan.

The notice said that the establishment of dedicated grain production funds was an important action that the state had taken to develop grain production. The above kinds of actions and behavior violated the principles of insuring focus, and using dedicated funds for dedicated purposes, impairing results from the use of the funds. The jurisdictions and departments concerned were to deal sternly with these matters in accordance with State Council and provincial government regulations, diligently correcting them. Investigations were to be conducted and punishments meted out to those concerned as the seriousness of discipline violations warranted.

#### Grain Storage, Payment Problems in Jiangxi

90OH0044a *Nanchang JIANGXI RIBAO* in Chinese  
17 Sep 89 p 2

[Article by Reporters Shi Huangming 4258 3552 2494, Huang Gan 7806 2413, Wei Meng 7614 5536, and Tu Xuli 3205 1645 3810: "A Look at Two Aspects of Summer Grain Requisition Procurement"]

[Text] At the end of August, when the movement of the summer grain crop into storage was winding down, the reporters went individually to the county seats of Fengcheng, Gaoan, Jinxian, and Dongxiang counties, as well as to Jiangxiang Township in Nanchang County to look into the status of summer grain procurement and movement into storage. What they saw and heard was extremely heartening. Early preparations, high peasant

enthusiasm for selling grain, accommodating peasants when buying grain, and movement of large amounts of grain into storage rapidly characterized this year's summer grain procurement. On 5 September, the comrade in charge of provincial grain departments, Bureau Director Liu Yuzhong [0491 7183 1813] told the reporters that more than 3 billion jin of grain was moved into storage in August, an unprecedented event in Jiangxi Province.

Despite the reduced yields from the province's early paddy crop in many parts of the province this year because of natural disasters, the summer grain storage plan was exceeded and exceeded again. Surprisingly, some places that formerly lagged behind in storing summer grain, or that were even unable to fulfill their quotas, fulfilled their quotas ahead of schedule.

Funds for grain procurement were also unexpectedly ample and made available promptly in all jurisdictions. In an overwhelming majority of counties and townships, peasant sales of grain to the state were for cash. They turned over their grain with one hand, receiving cash with the other. Although the storing of summer grain is coming to an end, from time to time we still saw peasants who had sold their grain leaving grain storehouses happily counting their banknotes.

The late paddy crop is growing very well everywhere. Unless it is hit with the cold dew wind, a bumper autumn grain harvest is very likely. This is truly a cause for joy. Nevertheless, some problems that cannot be ignored continue to exist in the purchase and storage of this year's summer grain crop. Unless they are solved, they may very possibly hurt the purchase and storage of the autumn grain crop.

*The Problem of Honoring Grain Payments.* Some places do not make direct cash settlements with the peasants when they buy grain; the peasants cannot get cash at once. Even when they finally do get the cash, because of deductions made along the line, little remains. This has hurt peasant investment in late paddy crop production. When the reporter paid a visit to Yufeng Village in Jiangxi township, Nanchang County on 25 August, many peasants who had sold their grain complained one after another that they took in no money from the sale of grain. One peasant named Li [2621] said that he had sold more than 3,500 jin of unhusked rice from the 17 mu of land he had farmed, but the village account book showed only 200 yuan going to him. Of this amount, 100 yuan was in the form of a bank certificate; only 100 yuan of it was real cash. Village headman Liu Caigen [0491 6299 2704] said that in his village the credit cooperative settled grain procurement accounts with the village CPC committee, and then the village CPC committee settled accounts with the peasants. At each step, a sum was deducted, so by the time the money reached the peasants' hands, there was not much left. He and the reporter did some figuring: Approximately 280,000 yuan was taken in by Yufeng Village this year from the fixed procurement of early paddy. Of this amount, the credit

cooperative deducted about 50,000 yuan for payment of peasant loans, and the village deducted 215,000 yuan for a variety of assessments, the number of which the peasants themselves did not know. The amount that actually reached the hands of the peasants in the village's more than 100 households would thus be only 15,000 yuan. Some other peasants said that when they made loans at the beginning of the year, it was agreed that they were to be repaid after the autumn grain harvest, but the credit cooperative insisted on deducting for the total amount when the summer grain was purchased. Until every household paid all of its loan, no household in the whole village received any grain money.

*Grain Quality Problem* As a result of the torrential rains that fell during the early paddy flowering season this year, followed by flooding and waterlogging calamities in many places, the quality of the whole province's summer grain crop declined. In some severely stricken places, the standards for grain acceptance had to be liberalized. In one city where more than 100 million kilograms of summer grain were stored, 50 million kilograms of grain was below the medium quality grades 4 and 5 (having a less than 75 percent brown rice outturn rate). In some townships, more than 80 percent of the grain was below medium quality. Preliminary grain department calculations show a 5 percent lower hulled rice outturn rate than last year from this year's summer grain crop. In some places, a small number of township and village cadres did not properly help the peasants in their dealings with the state. All they cared about was vying with each other in the amount of grain stored, and the speed with which it was moved into storage. As a result, in order to complete their duty in a hurry, some peasants hauled their grain off to storage without drying it completely.

*The Grain Transportation and Storage Capacity Problem.* Because of the speed with which the summer grain crop was put into storage, the large amount of grain stored in a compressed period of time, and the lack of ready transportation at times, storage capacity was short in some of the province's main grain producing counties. The comrade in charge of the Jinxian County Grain Bureau unintentionally revealed his anxiety and concern in the course of a conversation with the reporter. The late paddy crop is growing beautifully and a bumper harvest is in sight, but unless the summer grain crop is shipped out, very soon it will not be possible to move the autumn grain crop into storage. The county has a total storage capacity of 100 million kilograms. If 80 percent of it is used, it will accommodate 80 million kilograms. At the present time, 82.5 million kilograms of grain are in storage, with another 750 kilograms piled outdoors. Estimates call for a minimum of between 25 and 30 million kilograms of autumn grain to be stored. Additionally, sesame seeds and peanuts have to be stored. Storehouses are now being emptied or their contents combined all over the county. A storage capacity of 25 million kilograms can be freed, but that is still 20 million kilograms short of needs. The county grain department sent 12 people in six different teams to Guangdong,

Guangxi, Yunnan, and Guizhou, and to northeast China to try to sell grain. An estimated 35 railroad cars will be needed to haul the grain, but they have not yet been allocated. Another matter is that the interest on grain loans is too high this year. While the grain is in storage, just the interest that grain departments pay the banks is no small sum. The more than 2 million yuan that the government will have to allocate to purchase this county's summer grain crops has yet to be made available. The banks have loaned 2.5 million yuan to the grain departments for 3 months at as much as 1.5 percent interest each month. For 3 months, the grain department will pay 112,500 yuan. For more than 3 months, the interest rate will be even higher.

*Urgent Need to Make Arrangements To Raise Funds for Purchase of the Autumn Grain Crop.* An estimated 30 million yuan will be needed to buy the autumn grain crop in Jinxian County. Except for 2 million yuan left over from the purchase of the summer grain crop, and 5 million yuan that grain departments have in hand themselves, arrangements have not yet been made for the additional 23 million yuan needed to buy the autumn grain crop. Dongxiang County is in the same situation. It is estimated that 21.74 million yuan will be needed to buy that county's autumn grain crops. Right now, the grain department there has only 3.71 million in its till. As yet no provisions have been made for the other 18.03 million yuan. This is a general problem all over the province. Once the summer grain is in, along comes the

autumn grain, and in the twinkling of an eye it is time to buy the autumn grain harvest. Governments and departments concerned at all levels should study ways to raise the money in order not to hurt the autumn grain harvest.

#### **Sichuan Leader Views Agricultural Situation**

*HK1010004989 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 9 Oct 89*

[Excerpts] It is certain that Sichuan can increase grain production by 2 billion jin this year, and there are good hopes of a 3 billion jin increase. This was stated by Vice Governor Liu Changjie at a forum of veteran comrades on the agricultural front on 9 October. [passage omitted]

Liu Changjie said that the increase in production this year represents a revival from a decline, and we must not be blindly optimistic about it. At the same time, we must realize that there is less than 0.9 mu of farmland per person in Sichuan, and the per-mu yield index is already very high and can hardly be raised further.

He said that in agricultural arrangements for next year, we must first stabilize the agricultural policies and increase agricultural investment. Second, we must do a good job in agricultural capital construction in the coming winter and spring so as to boost the reserve strength of agriculture. Third, we must vigorously popularize science and technology contracting and promote the development of late autumn crops. [passage omitted]

### **Beijing Ranks First in 'Social Development'**

*OW1510023089 Beijing XINHUA in English  
0207 GMT 15 Oct 89*

[Text] Beijing, October 15 (XINHUA)—A research group from the Chinese Academy of Social Sciences recently found Beijing to be the leader in social development in China, with Shanghai and Tianjin ranking the second and the third.

The assessment took into account 42 kinds of social indices.

In respect of social structure, population quality, economic efficiency, quality of life and social order, Beijing, Tianjin and Shanghai were the top three places, according to the scholars.

The analysis also showed that the proportions of scientific workers in the Inner Mongolia Autonomous Region and Heilongjiang Province in the workforce are the lowest in the country. And the Ningxia Hui Autonomous Region has the fastest natural population growth rate.

Hebei Province was found to be the safest place in China as far as law and order are concerned, while serious crimes tend to take place in Beijing and Tianjin, and Shanghai is prone to traffic accidents and fires.

The experts claimed that standard of living is much higher than the economic efficiency in some places like Qinghai and Shaanxi Provinces—which show their people have a tendency to live beyond their means.

### **Businessmen, Academics Hold Forum on Problems in Higher Education**

*40050635 Beijing JINGJI RIBAO in Chinese  
1 Aug 89 p 2*

[Article by staff reporter Liang Yibin 2733 3085 3453: "Getting Off on the Wrong Track in Higher Education"—Capital Area Businessmen, Academics Hold Forum on Problems in Higher Education]

[Text] Some people say Chinese higher education has gotten off on the wrong track.

The evidence of this is that people are disappointed in the way many students responded to the sudden test of the political system that arose at the beginning of the summer. For this reason, workers in higher education are uneasy and the world of enterprise, one of the future employers of these students, also has something to say on the issue.

Consequently, not long ago a group of businessmen and academics got together at China People's University [CPU] in Beijing and held an informal discussion on how to train qualified personnel. The university's focus was on listening to the ideas and suggestions that the businessmen proposed.

### **The Root of the Problem Lies in Bourgeois Liberalization**

China People's University has an honorable revolutionary tradition growing out of the 22,000-plus outstanding intellectuals sent to fight in the War of Resistance Against Japan and the war of liberation. CPU was the first university founded in New China after the creation of the PRC, and it has trained nearly 80,000 individuals for socialist enterprise. Yet CPU, like many other colleges in this serious life-and-death struggle for the republic, became an arena for turmoil. University President Yuan Baohua [5913 1405 5478] said that many CPU students did not undergo resident examinations, and, in particular, there were more than 10 doctoral and masters students and a few younger professors who got involved in the disturbances. This phenomenon deserves some thought.

The businessmen and academics who took part in this conference felt that the root of the problem lay in bourgeois liberalization.

Upon introspection, the university president and professors said that, based both on the ranks of professors armed with Marxist ideology and on our systematically perfected Marxist education, CPU's reputation remains firm. But in the past few years the ideological trend toward bourgeois liberalization has spread unchecked and Marxist education has been substantially crippled. Opposing bourgeois theories, viewpoints, and concepts of value have run rampant in the schools, free of any effective criticism or resistance, disturbing the thinking of some students and professors and fermenting this "bitter wine" of calamity.

Dong Yulin [5516 3768 7792], a cadre at Beijing Yanhua Petroleum Corporation who is also eastern division vice president of Capital Enterprise Furniture, said that as a CPU alumnus he has fond feelings for his alma mater. But now bourgeois liberalization has made the students unable to differentiate clearly even the most fundamental issues of right and wrong. During the turmoil the loudspeakers on the street at CPU trumpeted only American sounds, allowing them to spread false rumors. He is angry that these events took place at an institution of higher education involved in the study and propagation of Marxism and Leninism.

Wang Yuying [3769 3768 5391], party secretary at the Third Chemical Industry Plant at Beijing Yanhua Corporation, said that bourgeois liberalization caused the students to lose their basic political orientation. During the period of tumult not a single worker at the chemical plant where she works escaped its influence. Students who graduated in the past 2 or 3 years foolishly took to the streets.

Li Dalin [2621 1129 2651], manager of the Beijing Construction Machinery Plant said that bourgeois liberalization infected many university students with mammonism, dilettantism, indolence, and rejection of the mass ideology. Students who have reported to this plant

in the past few years have barely gotten through the door before they began asking what the salaries, treatment, and dormitories were like. As soon as something displeased them they would want to switch jobs or transfer. By contrast, when the plant ran into problems recently, many workers—none of them university graduates—said “Don’t worry Mr Li, we’ll work even without pay.”

Ma Xiaogang [7456 1420 1481], graduate of the CPU class of 1982 and general manager of the China Economic Information Company, said he is very grateful that CPU’s comprehensive education in orthodox Marxist theory helped him benefit. In recent years political efforts in institutions of higher education have certainly deteriorated somewhat, whereas bourgeois liberalization has been encouraged to such an extent that it has been misinterpreted by foreign friends. One Bulgarian actually asked Ma whether Chinese universities still teach Marxism. Given this background, it is not surprising that students took to the streets.

#### **We Cannot Slacken Education on the Point that “Apes Are Transformed Into Men”**

The businessmen and academics feel that right now we must unfurl our banner in opposition to bourgeois liberalization and show the courage of our convictions in publicizing basic Marxist theory and spreading the news that socialism is best.

The businessmen were profoundly influenced by the training in Marxist fundamentals that they received in college. They said that what historical materialism and the history of social development tell us is that apes are transformed into men—not the reverse. And it is socialism that triumphs over capitalism, not capitalism that replaces socialism. Dong Yulin said that right now many students are still confused on the essential question of whether socialism or capitalism is better, and this is a dangerous state of affairs. The key to Marxist education is to join theory with practice. Thus, he proposed that schools be linked more closely to society: Professors should make friends with businessmen and perhaps even take a position in enterprise for a while. With these experiences behind them it will be easy for them to understand why China’s principles must not be guided by caprice.

#### **We Should Once Again Urge People To Be “Both Red and Expert”**

The businessmen fondly called to mind the slogan “both red and expert,” current during the 1950’s and 1960’s, which they felt vividly epitomized their standards for training qualified personnel. They suggested that we should resurrect this slogan. The academics concurred, saying that in the past few years there has been a greater and greater tendency to stress talent at the expense of moral character. In every case “grades have been the top consideration,” whereas political orientation, moral character, and selfless devotion to public duty have not been discussed at all, and socialism and patriotism have likewise been ignored. This has led many of CPU’s “best

and brightest” to lose their political bearings and take part in the uprising. Zheng Huanming [6774 3562 2494], general manager of Beijing Consolidated Motor Vehicle Manufacturing Corporation, said that we should make a firm and correct political orientation our main priority and employ whatever means necessary to see that students understand this first. Once someone has defined his political orientation he can form a strong dedication to his work and a highly developed sense of responsibility. Then he can take the initiative to study diligently, and his talent will flourish and grow. Therefore, he said, the preeminent standard by which to measure a talented individual must be his political orientation. Otherwise, no matter how hard he studies or how much effort he puts forth, it will be tantamount to training for the capitalist class—he will become his own grave digger.

Zheng said that to cultivate a firm political orientation among students we must justly and forcefully uphold the four basic principles. We must oppose bourgeois liberalization and not permit egoism—in which everyone focuses on himself—to spread unchecked.

Zhang Junhong [4545 0689 7703], assistant manager of China Industrial and Commercial Economic Development Corporation, endorsed these ideas. He said that if our trainees learn their specialized roles well but have no deep love for the socialist system and no common political language, what use is their “talent”?

Xia Jue [1115 6030], chairman of the board of Beijing Kentucky Fried Chicken Corporation, Ltd, said that right now the most important thing is to intensify positive ideological education, including training in patriotism, the history of social development, and party history, and to strengthen the dedication, sense of responsibility, and group accountability of Chinese university students. We must tell them that China is a huge nation that cannot change overnight. In his work Xia Jue has sensed a profound lack of moral character and discipline in some college graduates. Last year the company invited two college students to become assistant managers. They were bright and had decent foreign language skills, but worked only a short time before they ran afoul of company regulations by frying chicken without permission and dividing it among the employees and themselves. Under the company discipline policy there was no choice but to dismiss them. There have also been graduate students, chemistry students, and students studying plant disease and pest prevention who have tried to get jobs at Kentucky Fried Chicken. Inquiries revealed that they were all after high salaries. Why is it that when China trains an individual his only concern is for money?

Zheng Huanming said that college students today lack a firm political orientation and have lost contact with reality. They have a high opinion of themselves—they think they are terrific. When some individuals have approached the motor vehicle company, the first thing

they asked, in a grand tone, is how many assistants they would have. I say to them, "Aren't you qualified to be an assistant?"

**College Students Who Have a Good Political Education Are Full of Promise**

Now that the rebellion has been suppressed the situation across the nation is growing brighter. More and more people are drawing a useful lesson from this event. Businessmen and academics at this conference feel that it has resulted in a turn for the better in China's overall political situation, as well as in enhancing political education for college students under the four fundamental principles. We should take advantage of this overall national climate and make higher education an important front for Marxist education.

Summarizing his experience, Ma Xiaogang said that the new generation of college students has lost touch with reality. These students are reaching for what is beyond

their grasp and seem to be "drifting" somewhat. This struggle has taught them a profound lesson. Tortuous routes and occasional rebuffs help them mature. Ma believes that college students are concerned about major national issues, and that their demands to participate in and discuss political affairs are positive factors. What is crucial is that we must enhance education and tell them about the difficulty and complexity involved in building socialism. We must resurrect our effective tradition of ideological education and simultaneously change our political methods to contend with the actual ideological state of our youth.

CPU Vice President Wu Shuqing [0702 2885 7230] let us know that recently the university organized a symposium for students and martial law troops, during which they reached a consensus on many questions. It looks as though as soon as the means can be arranged the students are willing to accept political and ideological education.



### Jinan Holds Meeting on War Preparedness Communications

SK0100715 Jinan DAZHONG RIBAO in Chinese  
9 Sep 89 p 2

[Excerpts] Since the founding of China 40 years ago, our province has scored great achievements in war preparedness through communications devices. A system to guarantee national defense communications and transportation, including railways, communications, postal and telecommunications, civil aviation and water transport, has been initially formed. Thus, we have attained the goal of paying simultaneous attention to beneficial results of national defense, economic results, and social benefits. From 5 to 7 September, the Jinan Military Region held an on-the-spot meeting in Weifang to exchange experiences in standardizing war preparedness through communications devices.

Communications and transportation are the economic lifelines of our country as well as the important pillars of modern national defense. At ordinary times, they have played a very important role in developing the socialist commodity economy, and in war time, they are the lifelines for guaranteeing army's combat operations and logistic supply. War preparedness through communications devices is an important part of strengthening national defense. It has played a decisive role in enhancing the country's overall defense capabilities. Since the founding of China 40 years ago, our province has actively implemented the guidelines of the instructions of the State Council and the Central Military Commission on carrying out war preparedness through communications devices and has always attached primary importance to this work.

We have persisted in making war preparedness through communications devices serve economic construction and have given simultaneous attention to the needs of national defense while carrying out economic construction. We have fully displayed the beneficial economic, social, and national defense results. Our province's 40 years of achievements in developing war preparedness through communications devices has provided a good guarantee for communications and transport for the

army's combat operations and training. In addition, our province's war preparedness through communications devices has also experienced tests and played an important role in dealing with many accidents and emergencies and in providing disaster relief. The system to comprehensively guarantee war preparedness through communications devices manifested its position more prominently particularly during the first half of this year, when the army received orders to quell the counterrevolutionary rebellion in Beijing and during the Huangdao oil depot explosion incident. Along with the change of strategy concerning the national defense guiding ideology, our province's work of war preparedness through communications devices, from organizational leadership to professional work, has been soundly developed. [passage omitted]

Zhang Zhijian, deputy commander of the Jinan Military Region and chief of the leading group in charge of war preparedness through communications devices, gave a speech at the experience-exchange meeting. [passage omitted]

Wang Lequan, vice governor of Shandong Province, pointed out at the meeting that, in the past, the army and people of Shandong made great contributions in the Anti-Japanese War, the war of liberation, the War To Resist U.S. Aggression and Aid Korea and the War of Self-Defense Against Vietnam. At present, the governments at all levels throughout our province are accelerating their efforts in economic construction. However, we must prepare for danger in times of peace, enhance our understanding of the work of war preparedness through communications devices during the new period, heighten our sense of national defense, establish perfect organizational organs, realistically attend to regularizing war preparedness communications work and make new contributions to strengthening national defense.

Attending the meeting were more than 100 persons, including leaders of the State Council, the office in charge of war preparedness through communications device of the Central Military Commission, Shandong and Henan Provinces, and various prefectural and city departments concerned. They also viewed and learned from the on-the-spot drill to show war preparedness through communications devices.

## EAST REGION

### Wu Guanzheng Addresses Jiangxi Model Workers

OW0710085989 Nanchang JIANGXI RIBAO in Chinese 24 Sep 89 p 1

[Dispatch by reporter Wang Jun]

[Text] The provincial party committee and the provincial government cosponsored a forum of model workers on 23 September in Nanchang on the occasion of our country's 40th founding anniversary.

Party, government, and Army leaders of Jiangxi Province and Nanchang City, including Wu Guanzheng, Liu Fangren, Jiang Zhuping, Wang Zhaorong, Lu Xiuzhen, Wang Taihua, Ma Shichang, Zhao Zengyi, Liu Zhonghou, Zhu Zhihong, Xu Qin, Wu Ping, Huang Huang, Qian Jiaming, Sun Xiyue, Zhang Fengyu, Lou Zhongnan, and Jiang Zhongping, as well as Bai Dongcai of the Central Advisory Commission, received the national model workers of our province who are scheduled to attend a national model workers commendation meeting.

Comrade Wu Guanzheng delivered a speech. On behalf of the provincial party committee and the provincial government, he extended warm congratulations to all those who will represent our province at the national model workers commendation meeting. He also extended festive greetings and paid high respects to the model workers and advanced workers on all fronts. He said, "During the 40 years since the founding of the People's Republic, our province has made great progress in the cause of socialist construction. Particularly since the 3d Plenary Session of the 11th CPC Central Committee, the people around the province, guided by the party's basic line, have struggled hard, advanced vigorously, and explored new paths in a courageous manner, scoring enormous achievements. At the same time, a large number of advanced models have emerged. Their advanced thinking, superb professional skills, and work ethics, their lofty spirit of bearing hardships and laborious work and dedicating themselves selflessly, and their work attitude, marked by painstaking work, unity, cooperativeness, and willingness to be unknown heroes are what people throughout the province should emulate." He expressed the hope that model workers and advanced workers on all fronts in the province would continue to maintain the correct political orientation, strive hard to learn Marxism-Leninism-Mao Zedong Thought, earnestly study Comrade Deng Xiaoping's works, and unswervingly carry out the line, principles, and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee. He also hoped that they would uphold the four cardinal principles, persist in reform and opening up, take a clear-cut stand against bourgeois liberalization, and continue to carry forward the spirit of working hard, fearing no criticism, struggling painstakingly, and being clean, honest, and dedicated. He urged them to continually be modest and

prudent; guard against arrogance and rashness; keep studying while doing practical work; learn from the broad masses; and try to win still greater glory in proceeding with the socialist modernization program and the reform and open policy.

Speeches were also delivered at the forum by national model workers Xu Jingfa and Liu Xiashi.

Prior to the forum, party, government, and Army leaders of Jiangxi Province and Nanchang City posed with the model workers for photographs.

Today, the national model workers of our province will leave for Beijing by train to attend the national model workers commendation meeting.

### Party Official Praises Democratic Parties in Shanghai

OW0910112289 Shanghai City Service in Mandarin 0900 GMT 11 Sep 89

[Text] Wu Bangguo, deputy secretary of the Shanghai Municipal CPC Committee, said in his address at the opening ceremony of the second municipal congress of the Zhi Gong Dang today, "Democratic parties and nonparty democrats in Shanghai have done a great deal of work in quelling the turmoil, have played a positive role in stabilizing the situation in Shanghai, and have carried forward the glorious tradition of sharing weal and woe with the CPC."

Wu Bangguo said that, under the complex situation during the turmoil, some comrades did not know the truth of the matter and had some misgivings at that time. This is understandable. They were hoping that the party and the government would do a good job in solving problems. However, we must heighten our vigilance against those people advocating bourgeois liberalization who always want to drive a wedge between democratic parties and the CPC in an attempt to make democratic parties refuse the CPC leadership and turn them into opposition parties. Those people's scheme will not succeed.

Wu Bangguo pointed out, "The system of multiparty cooperation and of political consultation under the CPC leadership are special and superior features of China's socialist political system. Democratic parties are important components of the patriotic united front, and are our long-tested, trustworthy, and close fraternal parties. At present, both the central and the local authorities have invited some non-CPC personages to take part in improving the economic environment and rectifying the economic order. Shanghai has also invited some non-CPC personages to take part in the investigation of major cases and in the screening of companies. In the days to come, we will create more conditions for democratic parties to participate in government affairs and exercise democratic supervision."

Also present at the opening ceremony of the second municipal congress of the Zhi Gong Dang were Mao Jingquan, director of the United Front Work Department of the Shanghai Municipal CPC Committee; Li Jiahao and Wang Xing, vice chairmen of the municipal People's Congress Standing Committee; and responsible persons of other democratic parties and various mass organizations in Shanghai.

Dong Yinchu delivered an opening speech on behalf of the Central Committee and the Shanghai Municipal Committee of the Zhi Gong Dang.

### Shandong Government Holds Executive Meeting

*SK0710130789 Jinan Shandong Provincial Service in Mandarin 2300 GMT 4 Oct 89*

[Text] Provincial Governor Zhao Zhihao chaired an executive meeting of the provincial government on the afternoon of 4 October. Participants to the meeting conscientiously studied the important speech of General Secretary Jiang Zemin and, based on the guidelines of this important speech, discussed the province's economic work for the last 3 months of this year and for next year. They stressed the need to thoroughly implement the guidelines of the important speech of General Secretary Jiang Zemin and adopt active and effective measures to promote a sustained, stable, and coordinated development of our province's economy.

Participants at the meeting emphatically discussed the arrangements for our province's national economic plan and agricultural production plan for next year, and the arrangements for this year's autumn planting and autumn grain and oil purchases. They, in a preliminary way, defined the general guiding principles, major tasks, and major measures to be taken for next year's national economic plan. They conscientiously analyzed this year's agricultural production, especially autumn planting. They pointed out that winning success in this year's autumn planting for the purpose of reaping a good summer grain harvest next year will have a very great influence on the development of agricultural production, and even the development of the entire provincial economy next year. Governments at various levels must take resolute measures to ensure the fulfillment of this year's autumn planting tasks.

Progress in autumn planting was introduced at the meeting. By 4 October, the province had planted 34.3 million mu of farmland, accounting for 49 percent of the planned acreage to be planted. Zibo City, whose autumn planting progressed rapidly, had fulfilled 92 percent of its planting plan. Yantai, Linyi, Jinan, Weifang, Qingdao, and Taian Cities and Prefectures had completed more than 70 percent of their plans. However, it was seriously pointed out at the meeting that some localities, particularly some cities and prefectures along Huang He, had made very slow progress in their autumn planting. Their autumn planting was even slower than some cities and prefectures heavily stricken by drought. Dongying City had completed only 30.8 percent of its

autumn planting task. Dezhou Prefecture 31.3 percent, Huimin Prefecture 22.2 percent, Jining City 13.3 percent, Heze Prefecture 11.1 percent, and Liaocheng Prefecture 8.6 percent. These localities were urged not only to accelerate their autumn planting progress while ensuring its quality, but also to strive to plant more.

Participants in the meeting offered specific opinions on this year's grain and oil purchases. They urged rural party and Communist Youth League members and cadres to take the lead in fulfilling the state-assigned tasks and to launch activities to vie for becoming models and advanced units in selling grain and oil-bearing crops.

Provincial Governor Zhao Zhihao spoke at the meeting. He said, "To ensure fulfillment of the economic plan for the last 3 months of this year and greater development next year, effective measures should be adopted to strengthen macroeconomic regulation and control and to resolutely adjust the production setup. The campaign to increase production, practice economy, increase revenues, and reduce expenditures should be carried out thoroughly and on a long-term basis. We should rely on scientific and technological progress to promote economic development, and rely on intensified ideological and political work to ensure the development of economic construction."

Attending the meeting were Ma Shizhong, Li Chunting, Zhang Ruifeng, and Wang Lequan, provincial vice governors. Ma Changgui, Song Yimin, Zhu Qimin, Zhang Jingtao, and Han Bangju, special advisers to the provincial government and responsible persons of relevant departments of the provincial government.

## CENTRAL-SOUTH REGION

### Guangdong Rally Marks Anniversary of Young Pioneers

*HK1310032989 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 12 Oct 89*

[Excerpts] The Guangdong Communist Youth League Committee and the provincial education department jointly held a rally at the Guangzhou Tianhe Sports Center this morning to mark the 40th anniversary of the founding of the China Young Pioneers.

More than 8,000 people attended the celebration. They included representatives of the Young Pioneers and their instructors from all over the province as well as personnel of the Armed Police Force and PLA [People's Liberation Army] officers and men. Under the flag with stars and a torch, 600 hundred children were sworn into the China Young Pioneers. Ren Zhongyi, member of the Central Advisory Commission; Guo Rongchang, Wang Ning, Luo Tian, (Wu Mengzhao), and some other leaders of the province and Guangzhou City awarded certificates of honor and prizes to nine members of the Young Pioneers who had just won the title of Guangdong provincial heroic juvenile. [passage omitted]

Meanwhile, provincial party committee Secretary Lin Ruo and Governor Ye Xuanping today wrote letters to the rally marking the 40th anniversary of the founding of the China Young Pioneers and to Young Pioneers members of the middle school attached to the Guangzhou Teachers' Training Institute to extend festival congratulations and place ardent hopes upon them.

### **New Guangdong News Service To Start in November**

*HK1910060389 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 17 Oct 89*

[Text] Thanks to the concern and support of the provincial party committee and government, the Guangdong People's Broadcasting Station News Service, which is called the Guangdong News Service for short, is to officially start by 15 November, after preparations of a year and more.

The Guangdong News Service is a comprehensive radio station with news as its main content. Its broadcasts reach a population of 70 million throughout Guangdong Province and in some neighboring provinces. It broadcasts 19 hours of its daily programming in Mandarin with news every half hour. The Guangdong News Service is the mouthpiece of the provincial party committee and government and is a bridge between the party committee and the broad masses of the people. It will make every effort to turn itself into a confluence and center of news about Guangdong, which will give wide publicity to the new achievements, new experience, and new trends of building the two civilizations throughout the province in an effort to give correct guidance to public media.

### **Guangdong Meeting on Publishing Work Ends**

*HK2010033189 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 19 Oct 89*

[Excerpts] The 4-day provincial work conference on straightening out newspapers and periodicals and publishing houses closed at the provincial party committee guesthouse this morning.

The more than 120 people who attended it included leaders in charge of propaganda departments, press and publishing departments, and newspaper publication departments at the city level. Provincial party committee Propaganda Department chief (Huang Hao) attended and addressed the meeting.

Speaking at the meeting, (Huang Hao) emphasized that the key to improving the quality of publications in the future lies in raising the theoretical, ideological, and political levels of personnel in this field of work. He hoped that two problems would be soundly solved in the publication field by: 1) Checking all attempts to propagate bourgeois liberalization and stopping the publishing of obscene publications; and 2) Strictly controlling the numbers of publications.

## **NORTHEAST REGION**

### **Heilongjiang CPPCC Standing Committee Meets**

*SK1310044789 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 10 Oct 89*

[Text] The ninth Standing Committee meeting of the sixth provincial Committee of the Chinese People's Political Consultative Conference [CPPCC] was convened at the assembly hall of the provincial CPPCC Committee on the morning of 10 October.

A total of 71 people, including the chairman, vice chairmen, secretary general, and Standing Committee members of the provincial CPPCC Committee, attended the meeting. Wang Zhao, chairman of the provincial CPPCC Committee, presided over the meeting. Standing Committee members participating in the meeting conscientiously studied the speech made by General Secretary Jiang Zemin at the meeting to celebrate the 40th anniversary of the founding of the PRC, and heard the reports on implementation of the program for ensuring the production and supply of 383 commodities made by various inspection groups of the provincial CPPCC Committee and relevant comrades from the city CPPCC committees.

Tang Liandi, vice chairman of the provincial CPPCC Committee; and Deng Xiancheng, Shen Genrong, (Zhao Zhijie), (Chen Zaiyun), (Liu Xueliang), Wang Zhitian, (Yuan Changhua), (Zhang Hongen), Hong Bojian, (Bi Hongtai), (Wang Yulu), [name indistinct], and Fu Shiying, Standing Committee members of the provincial CPPCC Committee, made speeches and spoke glowingly of their study experiences at the meeting. On behalf of democratic parties and nonparty personages, they expressed their resolute support for General Secretary Jiang Zemin's speech.

They unanimously maintained that General Secretary Jiang Zemin's speech is a programmatic document for guiding the party's work at present and in the future, as well as of great significance to further unifying the thinking of the whole party and the people of all nationalities throughout the country, to arousing their enthusiasm, and to unifying as one in the capture of a signal victory in socialist modernization and socialist reform along with the orbit of building socialism with Chinese characteristics.

Participants in the meeting will hear the report on the situation of the meeting attended by the chairmen and vice chairmen of the cultural and historical data committees under the CPPCC committees of provinces, autonomous regions, and three municipalities, and the report on the provincial CPPCC Committee visiting delegation's trips to Japan; will examine, discuss, and approve the decision on establishing prefectural CPPCC work committees and appointing chairman and vice chairmen of the committees; and will examine and adopt

the items concerning electing additional CPPCC members and appointing members of relevant committees as concurrent vice chairmen of the CPPCC committees.

#### **List of Jilin Provincial Democratic Parties**

*SK0710042889 Changchun Jilin Provincial Service in  
Mandarin 1030 GMT 3 Oct 89*

[Summary] The democratic parties in our province have cooperated with the CPC for a long period of time to jointly develop socialist modernization, and have made outstanding contributions to construction and rejuvenation of Jilin over the past 40 years. The democratic parties have been established and developed since 1950.

So far, there are seven provincial-level democratic parties in Jilin, namely the provincial Revolutionary Committee of the Kuomintang, the provincial Committee of China Democratic League, the provincial Committee of China Democratic National Construction Association, the provincial Association for Promoting Democracy, the provincial Committee of Chinese Peasants and Workers Democratic Party, the provincial Jiu San Society, and the provincial Committee of Taiwan Democratic Self-Government League. There are also 42 prefectural, county, and city organizations of democratic parties; and 160 grassroots organizations of democratic parties. A total of 7,968 members are involved in these organizations. Of them, about 450 people are deputies to the People's Congresses at various levels and chairmen and vice chairmen of the Chinese People's Political Consultative Conference organizations at various levels.

### Main Topics at Recent KMT Plenary Session

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OVERSEAS EDITION in Chinese  
No 28, 10 Jul 89 p 19

[Article by Wei Min 5898 3046: "Important Movements at the 2d Plenary Session of the 13th Kuomintang [KMT] Party Central Committee"]

[Text] The 13th Kuomintang [KMT] Party Central Committee held its 2d plenary session on 3-5 June. The main purpose of this session was to overhaul the power structure, create a new "enlightened, unified" image for the KMT authorities in order to win people's support to ensure victory in the election of central government representatives and county mayors at the end of this year, and to lay the groundwork for Li Teng-hui's successful presidential election next year.

### Subject Matter and Background of the Session

It is reported that the session focused on three subjects: One, how to strengthen "democratic rule," maintain social stability, guarantee the people's rights and privileges, and continue to find ways to develop the "nation"; two, how to improve conditions for industrial and commercial enterprises in response to the international trade situation and "find effective countermeasures to sustain economic growth"; three, how to improve organization, "recruit the talented to serve the country," and mobilize all quarters to take part in the supplementary election to fulfill political duties. During the session, because of the 3 June incident in Beijing, the delegates made a last minute change to include the bicoastal relationship and the mainland policy in their discussions and in fact changed the main theme of the session.

Since the 13th KMT Party Central Committee convened the 1st plenary session last July, things have changed drastically on and off the island, and the Taiwan authorities are facing some new problems and challenges. For this reason, this plenary session was convened under fairly complicated situations.

The intense struggle in the democratization process: After the 13th KMT Party Congress last July, intense struggle has erupted within the KMT itself and between KMT and the Democratic Progressive Party [DPP] over the reelection of the National Assembly, the lifting of party restrictions, and other democratization issues. The conservative faction of the KMT opposes mandatory resignation, advocates election of mainland delegates, and wants to maintain continuity of "constitutional authority." The reformist faction within the party, on the other hand, vigorously advocates speeding up the pace of democratization. It disapproves of the conservative faction's continued monopoly of political power and has forced many powerful members of the conservative faction to resign. The DPP in turn advocates "reelection of the entire National Assembly." It wants all political parties to compete on equal footing and is prepared to fight it out with the KMT.

Confusion in the financial market threatens Taiwan's economy: Prices have been going up this year, and there seems to be no end to the rising tide in the stock market. It was reported that, in late May, the volume of exchange in the stock market in 1 week topped the projected volume for the year and that a month's volume of transaction could top the year's GNP. In this distorted stock market, some investment companies are advertising exorbitant returns in order to attract deposits from people in every social stratum as well as hot money from overseas, thus putting pressure on the Taiwan dollar to appreciate. For the Taiwanese, overseas investment is in vogue; few are willing to invest in the domestic economy. If the authorities do not take appropriate, effective measures this could destabilize society.

The decline of public authority and social alienation: Since martial law was abolished, all kinds of social conflicts and interest disputes have surfaced. Every social stratum has its own welfare relief, labor, environmental protection, campus, and veteran's movements, and so on. Public officials are corrupt; there is widespread speculation and profiteering; and society is indulging in greater extravagance each day.

The upheaval on the mainland has triggered strong reaction in Taiwan: In view of the recent situation on the mainland, some members of the KMT are beginning to feel that Taiwan's mainland policy has been too conservative and no longer suits the present situation. They feel that more forward-looking, aggressive steps should be taken to promote the "Taiwan experience" conscientiously and effectively.

### A Conspicuous Change in the Power Structure

Under the circumstances just described, the KMT desperately needs to set up a strong cabinet to meet the challenge from inside and outside the party. In particular, at the end of the year, the island will elect popular representatives to the central government—the Legislative Yuan members—and local public officials and people's representatives—provincial congressmen and county mayors. It will be Taiwan's first general election since the lifting of martial law and party restrictions. The percentage of votes the KMT receives at this election will not only affect its very foundation as ruling party, but will also directly affect the presidential election next year and KMT's control of the island.

Due to outside situations and pressure from within the party, Yu Kuo-hwa, premier of the Executive Yuan, announced his resignation on the eve of the 2d plenary session. His post has been taken over by Li Huan, secretary general of the KMT Central Committee, and the post vacated by Li Huan has been taken over by the deputy secretary general, James Soong Chu-yu [1345 2806 3342]. Li Huan and James Soong are well-known members of the "Enlightened Faction" in the KMT. At the 13th KMT Party Congress last year, they were elected by the most and third-most votes, respectively, to the Central Party Committee and became Taiwan's most

powerful political figures, conspicuous both on and off the island. This critical reshuffling of personnel on the eve of the 2d plenary session was no doubt a part of the preparations for convening the plenary session as well as for the decisions to be made there. It also marked the formal establishment of KMT's "dual-Li leadership system." This is another critical change in the power structure of KMT's Central Committee since the passing of Chiang Ching-kuo.

First, the "Enlightened Faction" has seized the advantage within the power core. In a certain sense, it has seized the power of supreme leadership. At present, among the higher-echelon KMT personages, except for control of the military which remains in the hands of Hau Pei-tsun [6787 2672 2625] who represents the House of Chiang, other trusted followers of the House of Chiang, such as Shen Chang-huan [3088 2490 3562] (former secretary general of the Office of the President), Nieh Wen-ya [0242 2429 0068] (former president of the Legislative Yuan), and Yu Kuo-hwa (former premier of the Executive Yuan), have all stepped down. The majority of members of the Standing Committee of the Party Central Committee and those in the core of power are members of the "Enlightened Faction" who advocate reform. They hold party, political, and financial power, and more.

Second, the two Li's are working together to guide the political situation. Reportedly, despite conflicts between the two Li's in their power struggle, and despite their differences over policies, they are in agreement over the basic points of reform and the security of Taiwan. For this reason, and in order not to jeopardize KMT rule, the two Li's will at least try to maintain a "harmonious relationship."

Third, we can expect more younger, local-born people to enter the political arena. With the establishment of the "dual-Li system," KMT's power structure will be completely overhauled. More and more younger people will take over the Party Central Committee. After 47-year-old James Soong became secretary general of the KMT Central Committee, 49-year-old Kuan Chung [7070 0022] also was promoted from chairman of the Department of Organizational Affairs to deputy secretary general of the Party Central Committee (he also retains his former post). This round of "minor personnel shuffles" in the Executive Yuan, however, managed to "maintain stability" by letting all the young incumbent heads of departments keep their posts. It is expected that

more and more younger people will be drafted into the cabinet. As for the role of the local-born, in the wake of Li Huan's comeback, the policy of "Taiwanization of the KMT," which has stalled since the "Chung Li incident," can expect further development.

#### Revising the Mainland Policy

With regard to recent developments on the mainland, the KMT 2d plenary session has expressed extreme interest and "concern." They suggest that a very favorable situation has emerged in the bicoastal relationship—the time has come to "overturn the communists and recover the country." In view of the changes in the bicoastal situation, the KMT authorities are repositioning their stance on the bicoastal relationship. They want to "take the offensive position instead of the defensive," "seize the assault initiative," further open communications between the two shores, promote the "Taiwan experience," and increase infiltration of political ideologies. Guided by this thinking, KMT authorities have also changed specific practices of their mainland policy. For example, under certain conditions, CPC party members will be allowed entry to Taiwan to attend funerals or visit relatives; people on the island may telephone people on the mainland directly on the international phone line; civilian mail delivery between the two shores will be simplified; teachers and reporters from Taiwan may travel to the mainland to visit relatives or gather news; more mainland personages will be invited to visit Taiwan; plans are being made to invite mainland scholars and well-known personages to Taiwan to observe the election.

After the 2d plenary session, the KMT will engage in even more bicoastal competition and contests. They will take measures to open up more and exert economic, political, social, and ideological influences on the mainland and promote the development of the bicoastal relationship in a direction favorable to the KMT. But the KMT's wishes cannot dictate developments in the mainland. After the 4th plenary session of the 13th Party Central Committee, the CPC will review their experience and lesson and will enhance their ability to counter the infiltration. Meanwhile, though, they will continue their political line of reform and opening up and go forward in steady steps, and the bicoastal relationship will move in a direction favorable to the people of both shores, a direction that lets the people communicate with each other, learn to know each other better, help and benefit each other, and in turn promote the peaceful unification of the fatherland.